2001-2002
BUDGET

Budget Plan

March 29, 2001

Québec
Ministère des Finances

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The Budget Plan 2001-2002

Section 1
Review of the Economic Situation in 2000 and Outlook

Section 2
The Government's Financial Position in 2000-2001 and Public Sector Borrowings

Section 3
The Government's Budgetary and Financial Stance

Section 4
Reserve for Health and Social Services, Education, Social Solidarity and Research

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Section 1

Review of the Economic Situation in 2000 and Outlook

The economic situation in 2000 3

- Fourth consecutive year of robust economic growth 3
- Positive spin-offs for the labour market 4
- Strong domestic demand 7
- Expanding world economy 10
  - — Sustained economic expansion in Asia 10
  - — Another outstanding year for the U.S. economy 11
- Strong growth in Québec's international exports of goods 14

Economic outlook for Québec in 2001 15

- Slowdown in economic growth in the United States 15
- Monetary easing 16
- Decline in inflation 17
- More subdued slowdown in Canada and Québec 18
- Slower growth in exports 19
- Robust domestic demand 19
- Comparison with private-sector forecasts 22

Review of the Economic Situation in 2000 and Outlook

This section presents the highlights of the economic situation in Québec in 2000 as well as the economic outlook used to prepare the Budget Plan.

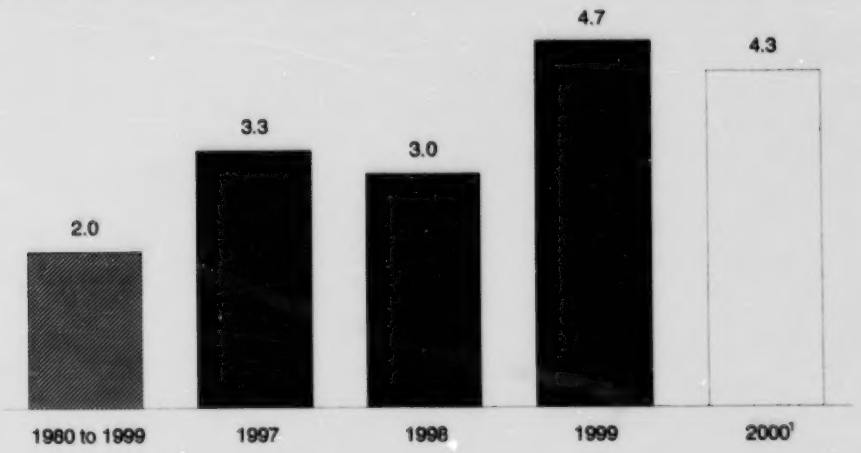
The economic situation in 2000

Fourth consecutive year of robust economic growth

Thanks to strong domestic and foreign demand, the Québec economy followed the same trend as in recent years, growing by 4.3% in 2000, twice the average rate observed between 1980 and 1999. Following the excellent performance in 1999, when real GDP reached 4.7%, in 2000 Québec posted its second strongest economic growth in 12 years.

GRAPH 1.1

CHANGE IN QUÉBEC REAL GDP
(annual percentage change)



1 Preliminary result.
Sources: Institut de la statistique du Québec, Conference Board of Canada and ministère des Finances du Québec.

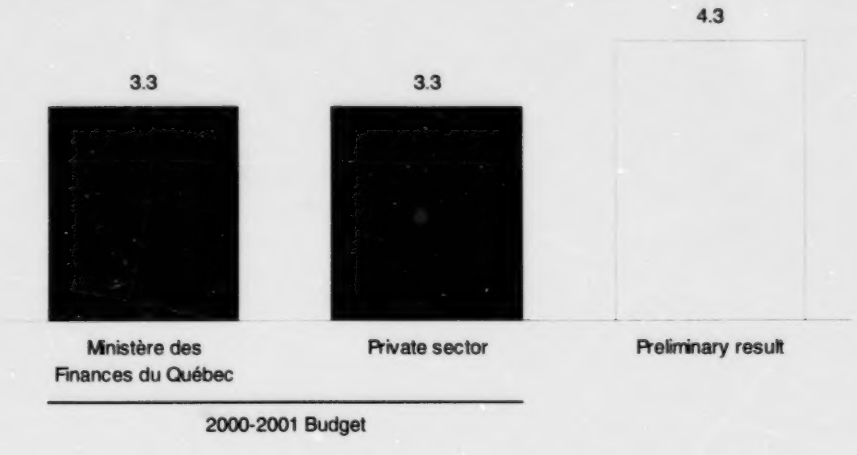
Domestic demand was up 5.0% last year due to a marked 15.7% increase in business non-residential investment. This is the strongest upswing in domestic demand in 15 years. Foreign demand also contributed significantly to Québec's economic growth, with international exports of goods rising by 12.2%. However, the net contribution of the foreign sector to real GDP growth was attenuated by the sharp increase in imports (11.1%).

The economic performance in 2000 was better than projected by most private forecasters a year ago.

The rise in real GDP outpaced the forecasts used to prepare the 2000-2001 Budget Plan by approximately one percentage point, creating 10 000 more jobs than expected. This outcome is attributable to the stronger-than-anticipated U.S. economy and the exceptional increase in investments.

GRAPH 1.2

GROWTH IN QUÉBEC REAL GDP IN 2000
(in percent)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

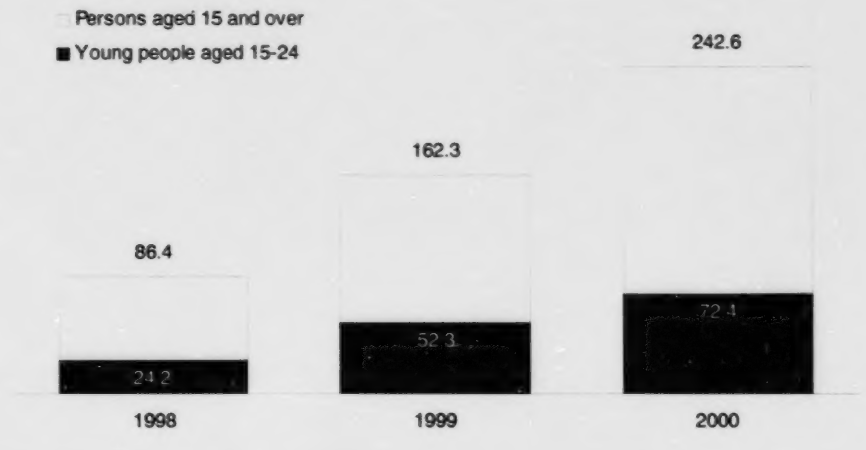
Positive spin-offs for the labour market

The robust growth in Québec's economy in recent years led to a substantial improvement in labour market conditions. On an annual basis, over 80 000 new jobs were created in Québec last year. This is the strongest performance recorded since the late 1980s, after that observed in 1998. Some 243 000 jobs have been created since 1997, nearly all full-time positions (232 000). Such strong job creation over a three-year period had not been seen since the mid-1980s.

For the third year in a row, job creation largely benefited young people, who obtained one quarter of all new jobs created in Québec even though they account for only 16% of the working-age population. In the past three years, nearly 30% of all new jobs have gone to young people aged 15-24.

GRAPH 1.3

NUMBER OF JOBS CREATED SINCE 1997
(in thousands)

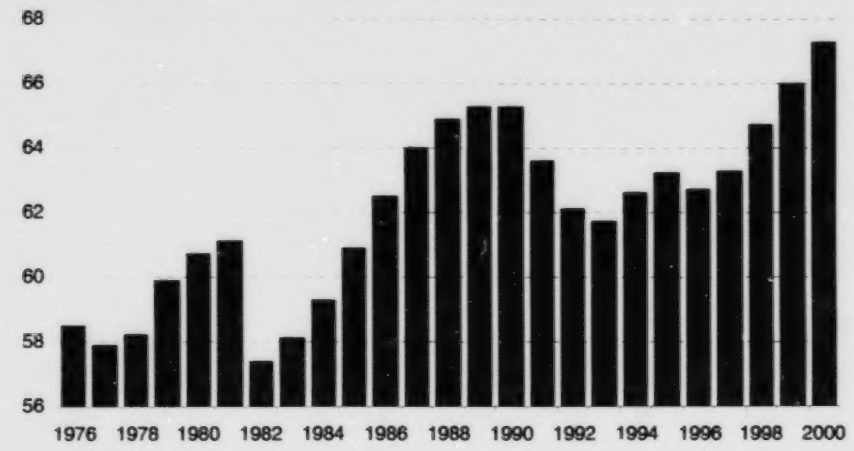


Source: Statistics Canada.

The employment rate for persons aged 15-64, i.e. the proportion of persons in this age group who are gainfully employed, climbed considerably in 2000. Already at a peak in 1999, the employment rate for the 15-64 age group gained another 1.3 percentage points to reach 67.3% in 2000.

GRAPH 1.4

EMPLOYMENT RATE FOR PERSONS AGED 15-64
(in percent)



Source: Statistics Canada.

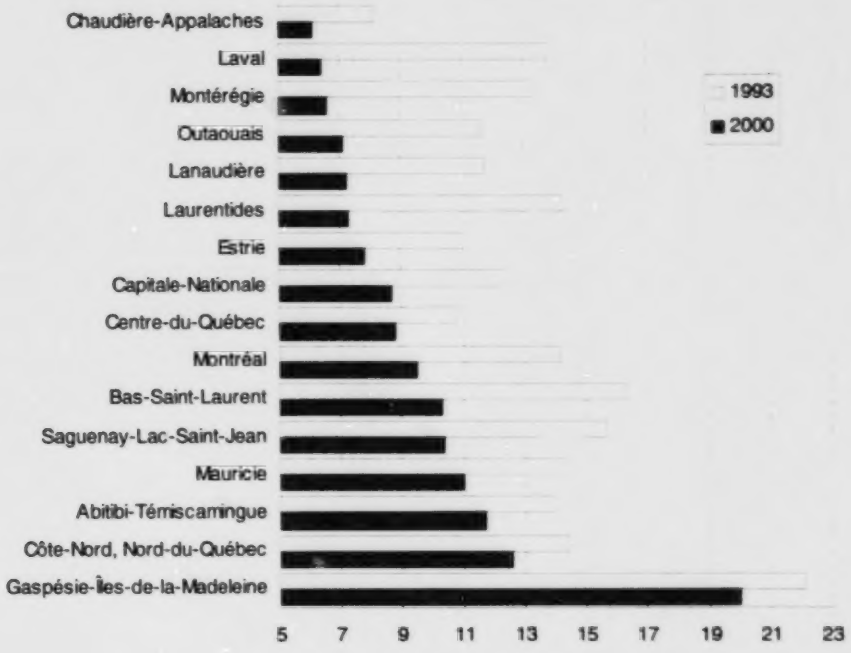
Furthermore, despite the increase in the labour force participation rate from 62.8% in 1999 to 63.2% in 2000, the unemployment rate fell to its lowest level in 25 years, averaging 8.4% in 2000. It has dropped by five percentage points since its cyclical peak in 1993.

Compared with 1999, the unemployment rate declined in nearly all of Québec's administrative regions in 2000. The largest decreases were recorded in the regions of Laval (-1.8% to 6.4%), Côte-Nord and Nord-du-Québec (-1.8% to 12.6%), Lanaudière (-1.7% to 7.2%), Abitibi-Témiscamingue (-1.7% to 11.7%) and Montérégie (-1.6% to 6.6%).

These decreases continue the trend observed since 1993. In fact, the unemployment rate has fallen significantly in all of the regions over this period.

GRAPH 1.5

UNEMPLOYMENT RATE IN QUÉBEC BY ADMINISTRATIVE REGION
(in percent)



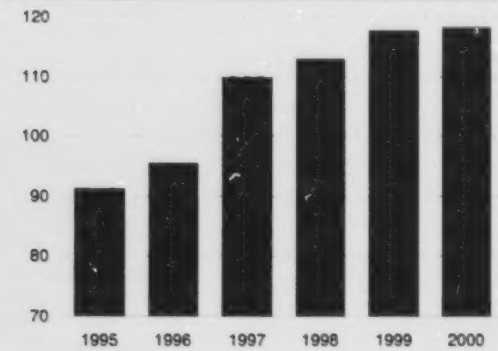
Source: Statistics Canada.

Strong domestic demand

The continued improvement of labour market conditions coupled with the personal income tax reductions sustained the high level of household confidence in Québec, which posted its highest annual rate in 12 years. This confidence resulted in a 3.6% jump in real consumer spending by Québec households in 2000, the largest annual increase since 1988, except for 1997 (4.0%).

GRAPH 1.6

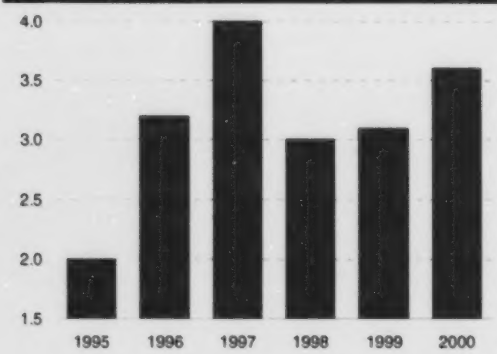
CONSUMER CONFIDENCE INDEX
(1991 = 100)



Source: Conference Board of Canada.

GRAPH 1.7

REAL CONSUMER SPENDING
(percentage change)



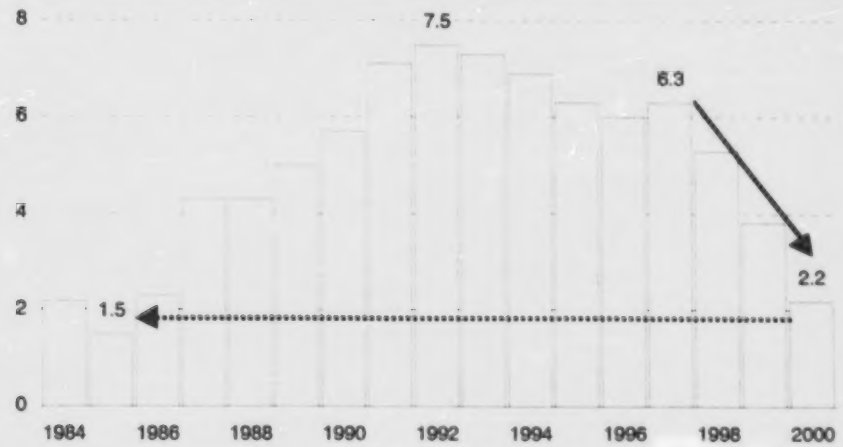
Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

While household consumer spending rose substantially in 2000, residential investment was sluggish, posting only 2.0% real growth due to a decline in new housing construction. The drop in housing starts from 25 700 units in 1999 to 24 700 in 2000 translated into a 5.7% decline in investment in new construction. On the other hand, real estate commissions were up 7.9% and spending on renovations, 6.9%.

The decline in housing starts in 2000 masks a major improvement in new-housing market conditions. Following a long period of market imbalance, balance was finally restored to the rental-housing sector. Montréal, for example, boasts a vacancy rate of only 1.5%, one fifth the 1993 rate of 7.7%. The vacancy rate has also declined for Québec as a whole, dropping from 3.8% in 1999 to 2.2% in 2000, the lowest level since 1985 (1.5%). Had it not been for resolving the imbalance, housing starts in Québec would have been higher in 2000.

GRAPH 1.8

RENTAL HOUSING VACANCY RATE IN QUÉBEC
(in percent)



Sources: Canada Mortgage and Housing Corporation and ministère des Finances du Québec.

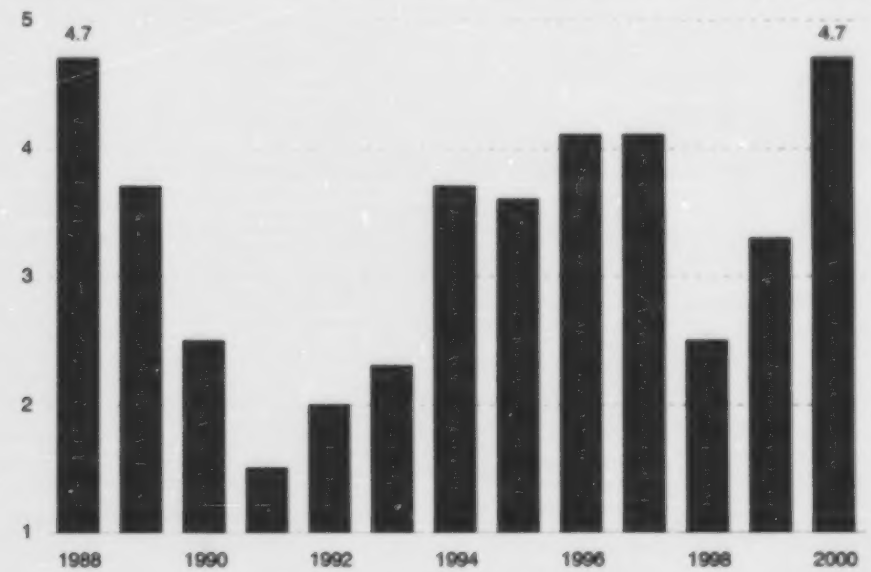
Enterprises also benefited from the favourable economic setting. Increased demand and higher profits encouraged Québec enterprises to expand and modernize their production facilities in 2000. As a result, business non-residential investment rose by 15.7% in real terms, the strongest growth observed since 1987. Purchases of machinery and equipment posted the most substantial gains, at nearly 20%.

Expanding world economy

In 2000, the Québec economy continued to benefit from an external environment that was favourable to trade. According to the International Monetary Fund (IMF), the world economy grew at a rate of 4.7% in 2000, the strongest annual growth in 12 years. The vitality of the world economy is attributable to the rapid economic recovery in several Asian countries and the exceptionally robust economy in the United States.

GRAPH 1.9

WORLD REAL GDP GROWTH
(in percent)



Source: International Monetary Fund, October 2000.

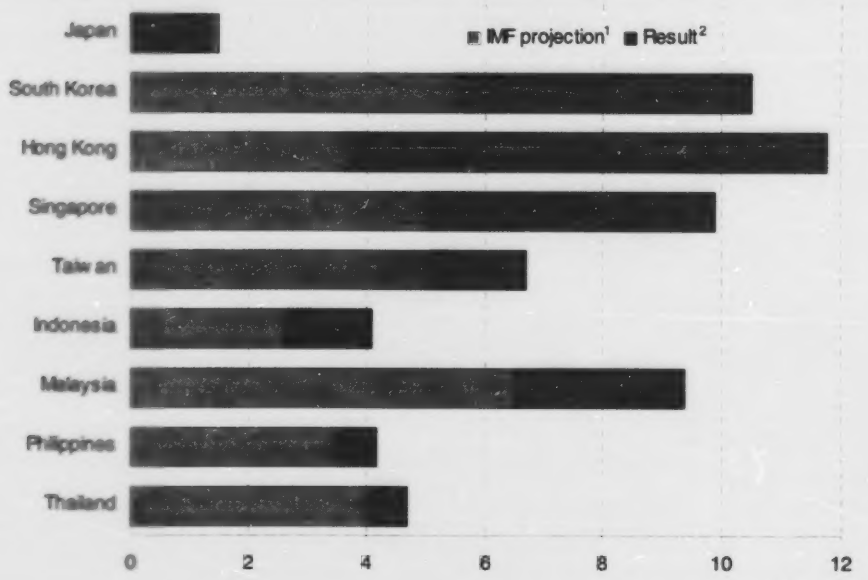
Sustained economic expansion in Asia

Economic growth in emerging Asian countries was better than expected last year, owing primarily to two factors:

- a more dynamic foreign demand stimulated exports to Europe and the United States; and
- the rise in oil prices was beneficial for producing countries (Indonesia, Malaysia, Singapore).

GRAPH 1.10

GROWTH IN REAL GDP IN 2000 – VARIOUS ASIAN COUNTRIES
(in percent)



1 International Monetary Fund projection in October 1999.
2 Result for the first three quarters of 2000.

Sources: International Monetary Fund and Datastream.

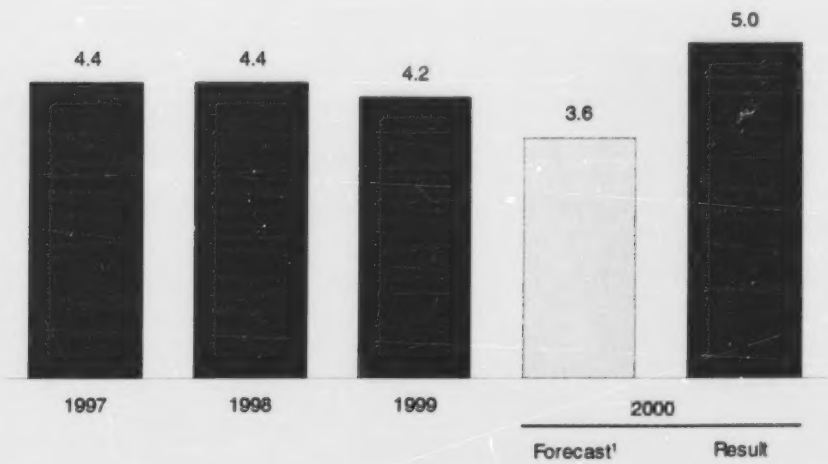
In Japan, on the other hand, the economic situation remained fragile. Low private consumption and major structural problems caused by the high public debt, restructuring by businesses and an aging population continued to cripple the country's economy. As a result, the unemployment rate remained relatively high in 2000, at 4.7%.

Another outstanding year for the U.S. economy

Marking the tenth year of expansion, economic activity grew by 5.0% in the United States in 2000, nearly one and a half percentage points higher than projected by American forecasters a year ago. For the fourth consecutive year, the United States saw its economy expand by over 4%.

GRAPH 1.11

REAL GDP GROWTH – UNITED STATES
(in percent)

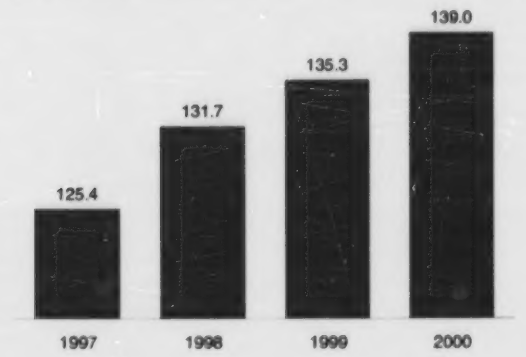


1 At the time of the 2000-2001 Budget.
Source: Standard & Poor's *DRI*.

This economic growth was led by the steady climb in consumer spending, which was up 5.3% in 2000 due to the continued high level of confidence among American consumers. The unemployment rate reached 3.9% in September and October of last year, the lowest level since January 1970 (3.9%). Thanks to this full-employment economy, enterprises continued to invest heavily, especially in new technologies.

GRAPH 1.12

CONSUMER CONFIDENCE INDEX – UNITED STATES
(1985 = 100)



Source: Standard & Poor's *DRI*.

GRAPH 1.13

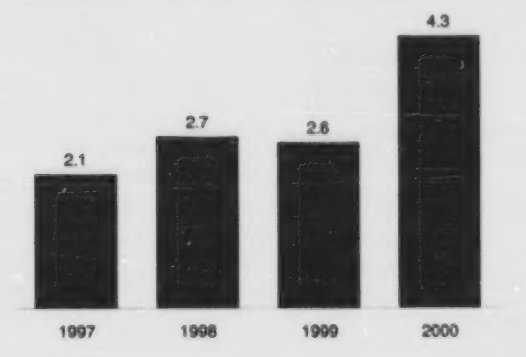
INVESTMENT RATIO – UNITED STATES
(as a percentage of the GDP)

Source: Standard & Poor's *DRI*.

Due to significant gains in productivity and the strong American dollar, inflationary pressures remained under control in the United States. Growth in the consumer price index (CPI) for commodities other than food and energy rose slightly, from 2.1% in 1999 to 2.4% in 2000. The overall inflation rate climbed even more, to 3.4%, owing to the sharp increase in oil prices (57%).

GRAPH 1.14

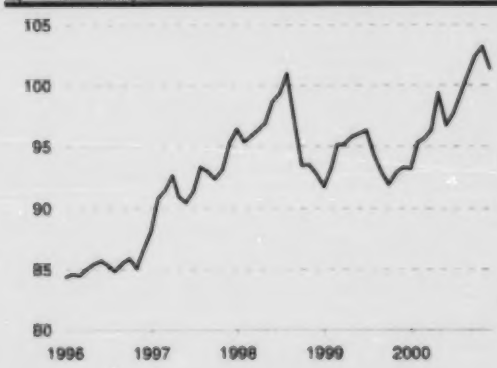
GROWTH IN LABOUR PRODUCTIVITY – UNITED STATES
(in percent)



Source: Standard & Poor's *DRI*.

GRAPH 1.15

TRADE-WEIGHTED EXCHANGE VALUE INDEX OF THE US DOLLAR[1]
(1973 = 100)



1 Relative to the currency of 7 of the United States' main trading partners.
Source: Standard & Poor's *DRI*.

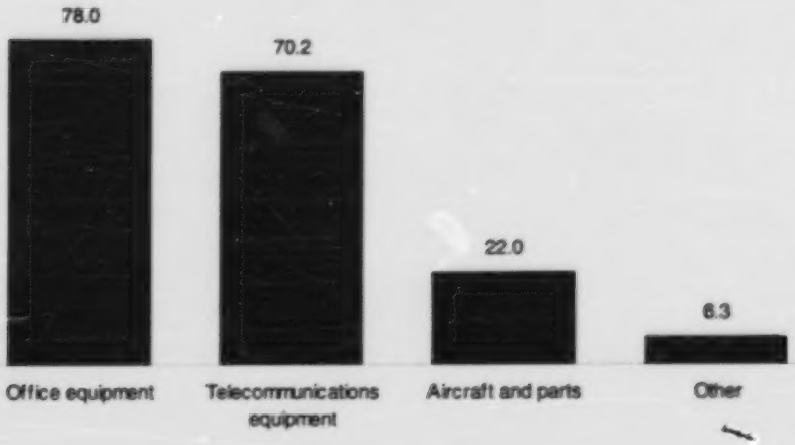
Strong growth in Québec's international exports of goods

Benefiting from growing world demand and a weak Canadian dollar, international exports of goods posted another year of solid growth. The volume of exports was up by 12.2% in 2000, the highest increase since 1994.

This sharp rise is primarily attributable to the successful showing of Québec high-tech products on international markets. In 2000, exports of office, telecommunications and transportation equipment accounted for over two thirds of the increase in Québec's international exports.

GRAPH 1.16

GROWTH IN QUÉBEC'S INTERNATIONAL EXPORTS OF GOODS[1] IN 2000
(in percent)



1 Data on customs basis.
Source: Institut de la statistique du Québec.

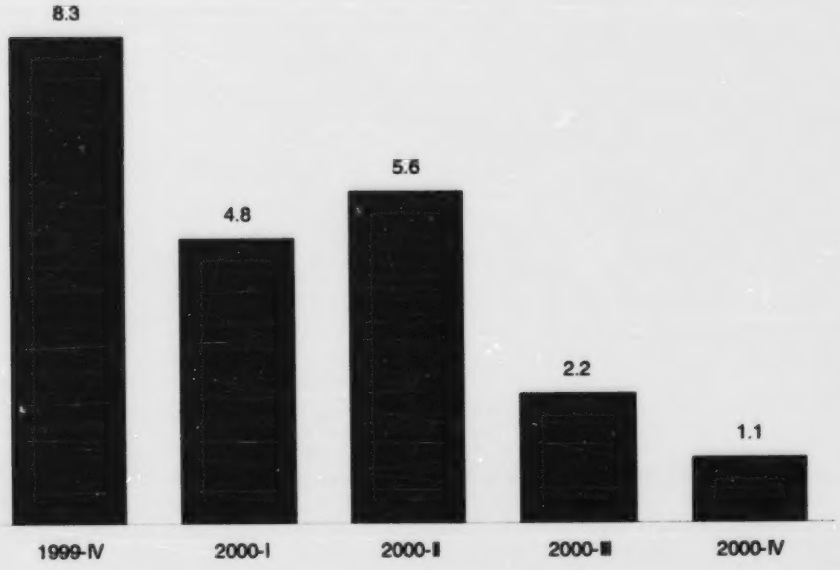
Economic outlook for Québec in 2001

Slowdown in economic growth in the United States

Despite 5.0% annual growth in 2000, the U.S. economy slowed down considerably in the second half of the year owing to the tightening of monetary conditions, the rise in energy costs, the downturn in stock markets and the decline in automobile sales. Whereas the annualized growth rates were 4.8% and 5.6% in the first and second quarters of 2000, respectively, U.S. real GDP rose by only 2.2% in the third quarter and by 1.1% in the fourth quarter.

GRAPH 1.17

ECONOMIC GROWTH – UNITED STATES
(annualized rate in percent)

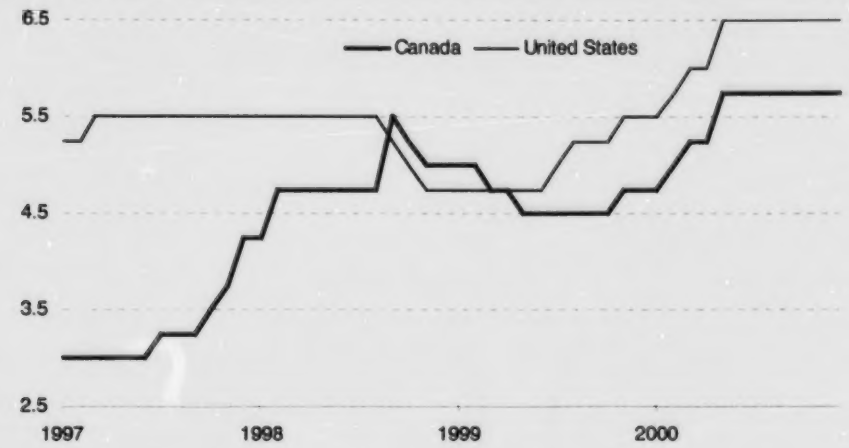


Source: Standard & Poor's *DRI*.

To prevent an acceleration of inflation, U.S. monetary authorities continued to hike interest rates in 2000, a trend begun in 1999. The leading rate rose from 4.75% in June 1999 to 6.50% in June 2000. With the value of the Canadian dollar relative to the American dollar remaining at an all-time low, the Bank of Canada followed the United States' lead in all rate hikes by the U.S. Federal Reserve last year.

GRAPH 1.18

OVERNIGHT INTEREST RATE
(in percent)



Sources: Standard & Poor's *DRI* and Bank of Canada.

Monetary tightening, higher energy prices and stock market correction resulted in a slowdown in the main engine of the U.S. economy in recent years: domestic demand. This slowdown will continue in 2001. Consequently, private forecasters project 2.7% growth in domestic demand this year, half the rate recorded in 2000. The slowdown in domestic demand will cause real GDP to grow by only around 2% this year, three percentage points less than last year.

Monetary easing

The marked slowdown in the U.S. economy prompted the Federal Reserve Board to reorient its monetary policy. After six consecutive increases in the federal funds rate, the U.S. Federal Reserve took the world by surprise on January 3, 2001, when it announced, between two regular meetings, that the leading rate would be cut by 50 basis points. At the end of January, the U.S. central bank announced a further 50-point cut. On March 20, the Federal Reserve cut its leading rate by another 50 basis points.

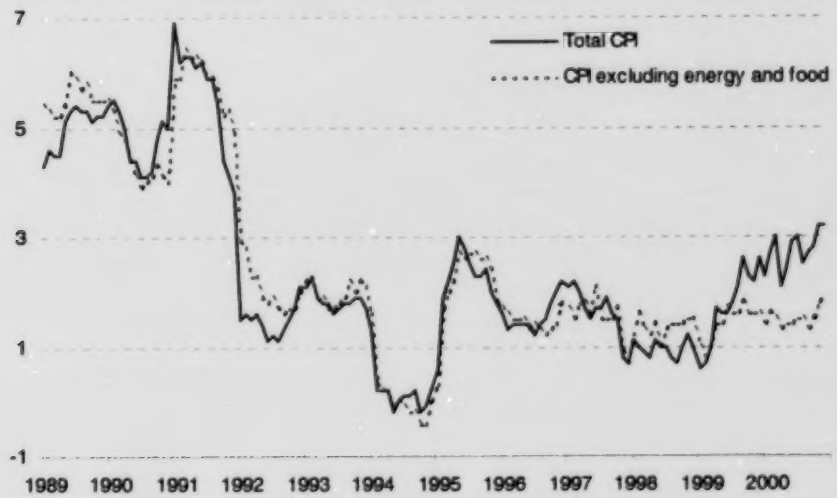
In Canada, monetary easing should be more tempered given the dynamic domestic demand, which will be stimulated by an expansionary fiscal and budgetary policy.

Decline in inflation

Growth in the consumer price index (CPI) for commodities other than food and energy remained below the midpoint of the Bank of Canada target band (1% to 3%) throughout 2000. Between December 1999 and December 2000, the price of energy nevertheless rose by 13.6% and the price of food, by 3.2%, resulting in a 3.2% increase in the overall price index during the year.

GRAPH 1.19

CONSUMER PRICE INDEX - CANADA
(annual percentage change)



Source: Statistics Canada.

The oil price rose substantially last year, reaching an average of US$28.40 per barrel, its highest level since the mid-1980s. Experts project a decline in price in 2001. OPEC countries appear to be in a position to agree and to adjust their production so that the oil price remains around its current level of US$25 per barrel.

The slowdown in North American economies and maintenance of world oil prices below 2000 levels should mean a decline in inflation in 2001 and a return to the midpoint of the Bank of Canada target band.

More subdued slowdown in Canada and Québec

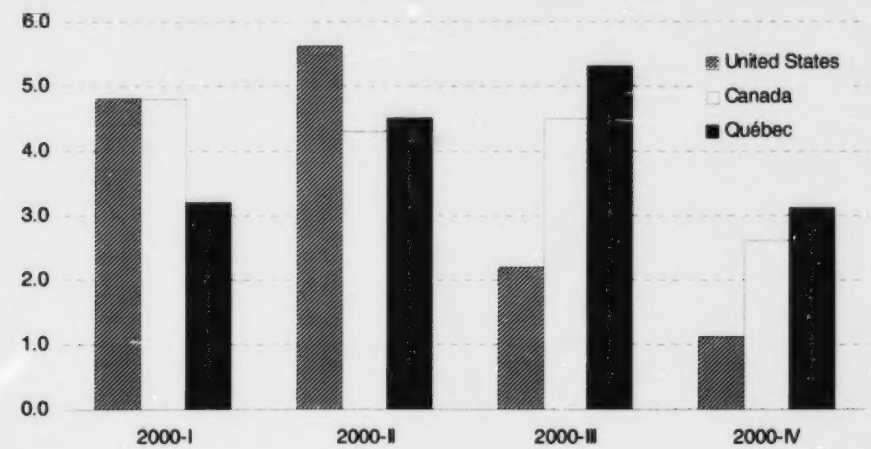
The slowdown in economic growth should be more subdued in Canada and Québec than in the United States.

First, the signs of a downturn are not as clear as in the United States:

- real GDP growth in the second half of the year did not slow down as much as it did in the United States; and

GRAPH 1.20

REAL GDP – QUÉBEC, CANADA AND THE UNITED STATES
(annualized change in percent)



Sources: Standard & Poor's *DRI*, Statistics Canada, Institut de la statistique du Québec and ministère des Finances du Québec.

- sustained job creation in Québec resulted in 41 000 new jobs between October 2000 and February 2001.

Second, the Canadian and Québec governments implemented expansionary fiscal and budgetary policies before the United States. The plan put forward by the Bush administration will not be adopted until later in 2001 and its impact may not be felt until 2002.

Third, household confidence remained high in Canada and Québec, despite falling slightly in the last quarter. The decline in consumer confidence was much sharper south of the border.

Finally, the automobile sector makes only a modest contribution to the Québec economy; therefore, the decline should primarily affect Ontario.

However, given the significant economic integration with the United States, the Canadian and Québec economies cannot avoid being affected by the economic slowdown in the United States.

Overall, real GDP should grow by 2.9% this year in Canada and by 2.7% in Québec. This will be sufficient for continued improvement in labour market conditions. Thanks to the creation of 50 000 jobs per year, Québec's unemployment rate is projected to fall from 8.4% in 2000 to below 8% by 2002.

Slower growth in exports

In 2001, Québec's international exports will feel the effects of the economic slowdown south of the border. After jumping 12.2% in 2000, growth in international exports of goods should be more subdued this year, rising by around 5.0%.

Despite the slowing down, exports are expected to grow faster than real GDP again this year. The share of international exports in GDP should therefore continue to increase.

Robust domestic demand

Once again this year, the Québec economy will be supported by fiscal and budgetary policies favourable to growth.

Thanks to major reductions in income tax and the projected decline in energy prices, households should see their purchasing power increase significantly. Real consumer spending is projected to grow by 3.5% this year (4.7% in current dollars) and by 2.6% in 2002 (4.1% in current dollars).

Market conditions in the residential sector have improved immensely in the past few years. Due to the drop in the vacancy rate, which is at its lowest level in 15 years, and the small number of unsold housing units, housing starts should reach 27 000 units this year.

However, according to the most recent Statistics Canada investment intentions survey, non-residential investment should decline by 1.4% in Québec in 2001 owing to the completion of two major investment projects: the Alcan project in Alma and the Magnola project in Asbestos. Excluding these two projects, non-residential investment should reach around 3.5% this year. And while investments in the manufacturing sector are expected to drop, they should still amount to $5.2 billion this year, double the level in 1993 ($2.6 billion), the low point of investments for the decade.

The Statistics Canada survey shows, among other things, that robust upswings should be recorded in the following sectors: transportation and storage (17.1%), real estate and rental services (16.9%), public services (16.3%) and communications (14.7%).

TABLE 1.1

ECONOMIC OUTLOOK
(percentage change)

	2000	2001	2002
OUTPUT			
— Real gross domestic product	4.3	2.7	2.6
— Gross domestic product	6.9	4.0	4.0
COMPONENTS OF EXPENDITURE			
— Consumption	5.1	4.7	4.1
— Housing starts ('000)	24.7	27.2	27.6
— Non-residential investment	6.1[1]	-1.4[1]	1.1
— International exports of goods[2]	12.2	5.0	6.4
COMPONENTS OF INCOME AND PRICES			
— Wages and salaries	6.7	3.6	3.5
— Personal income	5.6	3.4	3.6
— Corporate profits	17.7	8.1	7.4
— Consumer prices	2.4	1.4	1.7
LABOUR MARKET			
— Labour force	1.4	1.1	1.2
— Employment	2.4	1.5	1.5
— in thousands	80	50	52
— Unemployment rate (%)	8.4	8.0	7.8
INTEREST RATES – CANADA (%)			
— 3-month Treasury bills	5.5	5.0	5.1
— 10-year Canada bonds	5.9	5.3	5.5

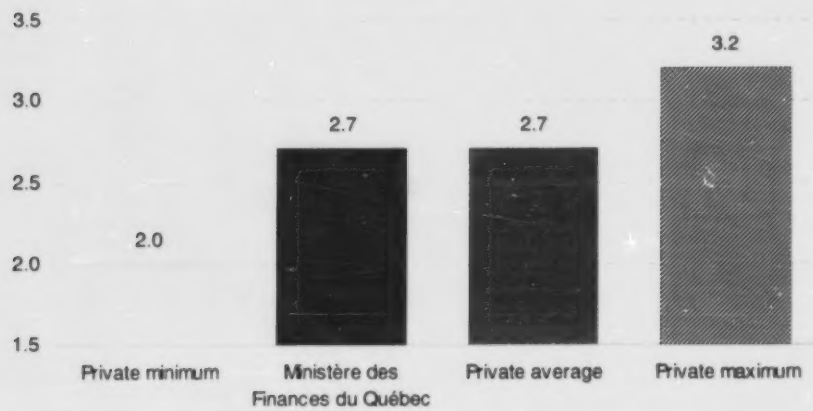
1 Statistics Canada, Private and public investment.
2 Constant 1992 dollars based on economic accounts.

Comparison with private-sector forecasts

Private-sector forecasters are divided on the rate of Québec's economic growth this year owing to the uncertainty over the magnitude of the economic slowdown in the United States and the factors liable to attenuate its impacts on Québec. While some anticipate as much as 3.2% growth in 2001, others predict more subdued growth, as low as 2.0%. On average, private-sector forecasts predict real GDP will grow by 2.7% in Québec, the same rate that was used to prepare this Budget.

GRAPH 1.21

ECONOMIC GROWTH IN QUÉBEC - 2001
COMPARISON WITH PRIVATE-SECTOR FORECASTS
(in percent)



Source: According to a ministère des Finances du Québec survey.

Section 2

The Government's Financial Position in 2000-2001 and Public Sector Borrowings

The government's financial transactions 3

Budgetary revenue 5
Budgetary expenditure 9
Non-budgetary transactions 11
Debt representing accumulated deficits 13
Financing 14
Repayment of borrowings 20
Total government debt 21

Public sector borrowings and investments 25

Historical data and preliminary results 31

Financial transactions of the gouvernement du Québec
- ❑ Summary 31
- ❑ Budgetary revenue 32
- ❑ Budgetary expenditure 33
- ❑ Non-budgetary transactions 34
- ❑ Financing transactions 36

Borrowings for the Consolidated Revenue Fund in 2000-2001 37
Borrowings for consolidated organizations in 2000-2001 38
Borrowings by Financement-Québec in 2000-2001 39
Borrowings by Hydro-Québec in 2000 40

Appendices

2.1 Adjusted forecasts from the 2000-2001 Budget Speech and 2000-2001 preliminary results according to the 2001-2002 budgetary structure 41

2.2 Results of consolidated organizations 45

The government's financial transactions[1]

Budgetary surplus of $500 million in 2000-2001 after reserve for health and social services, education, social solidarity and research

The preliminary results of the government's financial transactions for the year ending March 31, 2001 show a budgetary surplus of $500 million after reserve for health and social services, education, social solidarity and research, making it possible to reduce the debt (accumulated deficits) by the same amount.

Consolidated budgetary revenue for the 2000-2001 fiscal year amounts to $50 903 million, $2 607 million more than forecast in the last Budget. This growth in revenue may be explained by an increase of $1 739 million in own-source revenue and of $868 million in Government of Canada transfers.

As for consolidated budgetary expenditure, it is revised upward by $1 157 million, to $49 453 million in 2000-2001. This change reflects the impact of the additional resources allocated during the fiscal year, particularly for health and social services, and the new initiatives announced in the 2001-2002 Budget Speech. In addition, debt service is adjusted upward by $239 million compared with the level anticipated at the time of the last Budget. This adjustment is essentially attributable to a weaker Canadian dollar relative to other currencies, notably the US dollar and the yen, than forecast in the Budget of last March.

This Budget announces the creation of a reserve[2] of $950 million out of the budgetary surpluses posted in 2000-2001. Over the coming years, this sum will be used especially for modernizing the health and social services and education networks and for implementing new social solidarity and research initiatives.

Net financial requirements of $432 million: $42 million less than forecast

Consolidated net financial requirements are revised to $432 million, a decrease of $42 million compared with the figure anticipated in the March 2000 Budget.

With respect to financing transactions, the change in direct debt is revised upward by $1 764 million compared with the initial forecast, mainly because of pre-financing of $1 477 million contracted to take advantage of favourable market conditions. This has led to a temporary increase in the cash level.

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1 The data included in this section have been adjusted, for purposes of comparison, on the basis of the budgetary and financial structure that will prevail in 2001-2002. The adjustments made to the forecasts presented in the Budget Speech of March 14, 2000 are shown in Appendix 2.1.

2 Section 4 presents detailed information on the creation of the reserve.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS
(in millions of dollars)

	1999-2000	2000-2001		
	Actual results [1]	Budget Speech 2000-03-14 [1]	Preliminary results [2]	Change compared with Budget
Budgetary transactions				
Own-source revenue	41 047	40 990	42 729	1 739
Government of Canada transfers	6 352	7 306	8 174	868
Total revenue	47 399	48 296	50 903	2 607
Operating expenditure	- 39 997	- 40 871	- 41 789	- 918
Debt service	- 7 372	- 7 425	- 7 664	- 239
Total expenditure	- 47 369	- 48 296	- 49 453	- 1 157
Reserve for health and social services, education, social solidarity and research	—	—	- 950	- 950
Budgetary surplus after reserve	**30**	**0**	**500**	**500**
Non-budgetary transactions				
Investments, loans and advances	- 2 022	- 871	- 1 638	- 767
Capital expenditures	- 359	- 435	- 386	49
Retirement plans	1 740	1 726	1 749	23
Other accounts	1 328	- 894	- 657	237
Non-budgetary surplus (shortfall)	**687**	**- 474**	**- 932**	**- 458**
Net financial surplus (requirements)	**717**	**- 474**	**- 432**	**42**
Financing transactions				
Change in cash position	2 246	1 160	- 509	- 1 669
Change in direct debt [3]	- 132	1 191	2 955	1 764
Retirement plans sinking fund [4]	- 2 831	- 1 877	- 2 014	- 137
Total financing of transactions	**- 717**	**474**	**432**	**- 42**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 The data have been adjusted, for purposes of comparison, on the basis of the 2001-2002 budgetary and financial structure. The adjustments required for the data presented in the Budget Speech of March 14, 2000 are shown in Appendix 2.1.

2 The preliminary results for 2000-2001 are based on actual data recorded from April 2000 to January 2001 and on an estimate, as at March 16, 2001, of the February and March results for which transactions will be posted, up to the closing of the books, to 2000-2001 transactions.

3 The change in direct debt includes new borrowings less repayment of borrowings.

4 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

For the 2000-2001 fiscal year, budgetary revenue totals $50 903 million, an increase of 7.4% compared with 1999-2000. Own-source revenue grew by 4.1%, while federal transfers rose by 28.7%.

Own-source revenue

Own-source revenue: $1.7 billion higher owing to the good economic performance

Own-source revenue is $1 739 million higher than forecast in the 2000-2001 Budget Speech. The better-than-anticipated economic performance in 2000 led to an increase in revenue from personal income tax, contributions to the Health Services Fund and consumption taxes. Compared with the initial forecasts, the revenue from consolidated organizations is revised downward by $171 million.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE
(in millions of dollars)

	1999-2000	2000-2001			
	Actual results	Budget Speech 2000-03-14	Preliminary results	Change compared with Budget	Change compared with 1999-2000
					%
Personal income tax	16 029	15 748	17 006	1 258	6.1
Health Services Fund	4 291	4 198	4 458	260	3.9
Corporate taxes	3 643	4 121	4 192	71	15.1
Consumption taxes	8 819	9 202	9 522	320	8.0
Government enterprises	3 943	3 428	3 457	29	– 12.3
Consolidated organizations	1 850	1 870	1 699	– 171	– 8.2
Other sources	2 472	2 423	2 395	– 28	– 3.1
Total own-source revenue	**41 047**	**40 990**	**42 729**	**1 739**	**4.1**

Revenue from personal income tax and contributions to the Health Services Fund is adjusted upward by $1 258 million and $260 million respectively. These adjustments are mainly attributable to the stronger-than-expected growth in remuneration.

Corporate tax revenue is also revised upward by $71 million, owing to the fact that corporate profits grew more vigorously than anticipated.

Similarly, revenue from consumption taxes is up to $320 million higher than forecast, mainly because of the additional revenue generated by the sustained growth of consumption in 2000. However, these impacts were partly offset by lower-than-expected revenue from the fuel tax, owing to high prices throughout the year, and from the tobacco tax.

The preliminary results for revenue from government enterprises show an increase of $29 million compared with the initial forecast. The decline in the profits of certain enterprises is more than offset by the increase in Hydro-Québec's profits.

As described in Appendix 2.2, revenue from consolidated organizations is $171 million less than anticipated in the 2000-2001 Budget Speech.

Lastly, the downward revision of amounts from other sources is explained for the most part by lower-than-expected revenue from sales of goods and services and from duties and permits, particularly for natural resources, on account of the decline in the price of softwood lumber on the North American market and the higher-than-anticipated volume of silvicultural work. However, these revisions are partly offset by higher interest income.

Federal transfers

Revenue from Government of Canada transfers for fiscal 2000-2001 amounts to $8 174 million, an upward revision of $868 million compared with the forecast in the March 2000 Budget Speech. This revision is explained mainly by the fact that growth in equalization revenue was stronger than expected.

TABLE 2.3

SUMMARY OF THE CHANGE IN GOVERNMENT OF CANADA TRANSFERS
(in millions of dollars)

	1999-2000	2000-2001			
	Actual results	Budget Speech 2000-03-14	Preliminary results	Change compared with Budget	Change compared with 1999-2000
					%
Equalization	4 387	4 686	5 650	964	28.8
Canada Health and Social Transfer	1 120	1 777	1 597	– 180	42.6
Contributions to welfare programs	11	—	—	—	—
EPF and other transfers related to fiscal arrangements	11	11	30	19	—
Other programs	553	576	648	72	17.2
Consolidated organizations	270	256	249	– 7	– 7.8
Total Government of Canada transfers	**6 352**	**7 306**	**8 174**	**868**	**28.7**

Equalization revenue is $964 million higher than forecast in last year's Budget. A more-favourable-than-expected economic context throughout Canada in 2000 resulted in higher-than-anticipated growth in the provincial revenue, particularly from the oil and natural gas sector, used to establish equalization entitlements. In addition, the federal government revised its equalization entitlements estimate for 1999-2000 upward and adjusted its payments in this regard in late 2000-2001. Apart from these factors, growth in equalization revenue was considerably weaker in 2000-2001, reflecting the good performance of the Québec economy.

However, the application of a provision placing a ceiling on the amounts paid to provinces under the equalization program reduced the amounts owed to Québec for 1999-2000 by some $490 million. Nevertheless, since the federal government has presented draft legislation that will abolish retroactively the equalization ceiling for 1999-2000, this amount should be paid to Québec in 2001-2002.

Revenue from the Canada Health and Social Transfer (CHST) is revised downward by $180 million, reflecting the increase in the value of the tax transfer used for the purpose of calculating the CHST, which reduces cash payments to Québec accordingly.

Revenue from other federal transfer programs is revised upward by $72 million, mainly because of adjustments to payments for 1990-1998 under the Vocational Rehabilitation of Disabled Persons Program.

Budgetary expenditure

Additional resources allocated mainly to the health and social services sector

Budgetary expenditure for fiscal 2000-2001 amounts to $49 453 million, $1 157 million more than forecast in the Budget Speech of March 14, 2000. This increase is mainly the result of the additional resources allocated to the health and social services sector and the new initiatives announced in this Budget. In all, there is a 4.4% increase in budgetary expenditure compared with 1999-2000, which is less than the growth rate of nominal GDP, i.e. 6.9%.

TABLE 2.4

SUMMARY OF THE CHANGE IN BUDGETARY EXPENDITURE
(in millions of dollars)

	1999-2000				2000-2001
	Actual results	Budget Speech 2000-03-14	Preliminary results	Change compared with Budget	Change compared with 1999-2000
					%
Program spending objective	38 704	39 503	39 503	—	2.1
Increase in objective	—	—	1 188	1 188	—
Program spending	38 704	39 503	40 691	1 188	5.1
Consolidated organizations	1 293	1 368	1 098	– 270	– 15.1
Total operating expenditure	**39 997**	**40 871**	**41 789**	**918**	**4.5**
Debt service					
Consolidated Revenue Fund					
Direct debt service	4 119	4 157	4 434	277	7.6
Retirement plans	2 632	2 593	2 562	– 31	– 2.7
	6 751	6 750	6 996	246	3.6
Consolidated organizations	621	675	668	– 7	7.6
Total debt service	**7 372**	**7 425**	**7 664**	**239**	**4.0**
Total budgetary expenditure	**47 369**	**48 296**	**49 453**	**1 157**	**4.4**

Operating expenditure

Operating expenditure is revised to $41 789 million, $918 million more than forecast in the March 2000 Budget Speech.

This Budget announces a $1 188-million increase in the program spending objective in 2000-2001. This increase is due to the additional resources of $611 million allocated to the health and social services sector, of which nearly two thirds may be attributed to various growth factors for costs in the network. In addition, the expenditure of the Régie de l'assurance-maladie du Québec has been revised upward by $200 million owing to the impact of the new agreements concluded with the medical federations and the additional costs of the prescription drug program for the elderly and income security recipients.

Net overruns of $388 million have been identified in other departments, notably nearly $118 million representing the contribution by the government as employer to financing the retirement plan improvements stemming from the new collective agreements, $95 million owing to the higher-than-anticipated number of households receiving income security and $70 million on account of the greater-than-expected popularity of the program to connect families to the Internet.

Lastly, the new initiatives announced in this Budget increased program spending by $189 million.

As described in Appendix 2.2, spending by consolidated organizations is adjusted downward by $270 million compared with the Budget Speech of March 2000.

Debt service

The results anticipated for the debt service amount to $7 664 million, of which $4 434 million is for the direct debt service, $2 562 million for the interest on the net retirement plans liability and $668 million for the debt service of consolidated organizations. This represents an upward revision of $239 million compared with the forecast in the 2000-2001 Budget Speech.

This change essentially reflects an increase of $277 million in direct debt service, stemming for the most part from a weaker-than-anticipated Canadian dollar relative mainly to the US dollar and the yen. In addition, interest expenditures in regard to the retirement plans are adjusted downward by $31 million owing to an increase in deposits in the retirement plans sinking fund. The revenue of this fund is applied against the interest expenditure recorded with regard to the retirement plans liability.

Non-budgetary transactions

Net financial requirements stemming from non-budgetary transactions amount to $932 million, $458 million more than forecast in the March 2000 Budget Speech.

TABLE 2.5

SUMMARY OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

			2000-2001
	Budget Speech 2000-03-14	**Preliminary results**	**Change**
Consolidated Revenue Fund			
Investments, loans and advances			
Government enterprises	– 1 120	– 1 574	– 454
Municipalities, municipal bodies, individuals, corporations and others	237	– 161	– 398
	– 883	– 1 735	– 852
Capital expenditures	184	189	5
Retirement plans	1 726	1 749	23
Other accounts	– 944	– 521	423
Total Consolidated Revenue Fund	**83**	**– 318**	**– 401**
Consolidated organizations	**– 557**	**– 614**[1]	**– 57**
Non-budgetary surplus (shortfall)	**– 474**	**– 932**	**– 458**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.
1 Details shown in Table 2.17.

Preliminary results for investments, loans and advances indicate an $852-million increase in funding requirements compared with the initial forecast. This difference is attributable to the fact that certain assets were not disposed of owing to rather unfavourable market conditions.

The $5-million rise in capital expenditures is explained mainly by lower-than-expected net investments by departments and agencies compared with the level anticipated at the time of the last Budget.

The annual surplus of the retirement plans liability, estimated at $1 726 million in the last Budget, is revised upward by $23 million, to $1 749 million. This change stems from the upward adjustment of $130 million resulting essentially from the increase in government contributions as employer, which is offset by disbursements that are $107 million higher than initially forecast.

Transactions related to other non-budgetary accounts represent year-to-year changes in these financial items. These accounts, which include, in particular, cash and bills on hand, outstanding cheques, accounts receivable and accounts payable, can fluctuate a great deal because of the variability of government cash inflow and disbursements. For 2000-2001, the balance of the other accounts shows an increase of $423 million compared with the figure announced in the March 2000 Budget Speech.

In regard to consolidated organizations, the $57-million downward adjustment stems for the most part from slower-than-anticipated cash inflow for certain special funds.

Debt representing accumulated deficits

In 2000-2001, Québec will post a budgetary surplus for the third year in a row. The $500-million surplus anticipated for this fiscal year will make it possible to reduce the debt (accumulated deficits) as at March 31, 2001 by the same amount.

This concept of debt corresponds to deficits accumulated and budgetary surpluses achieved over the years. Several Canadian jurisdictions use concepts of surplus or accumulated deficits as an indicator of the change in their financial position. This indicator has been used in Québec's Public Accounts for several years.

It is important to specify that there is a difference between reducing the debt that represents accumulated deficits and reducing borrowings that have been contracted by the government. For example, the government may decide to increase its borrowings during a given fiscal year in order to take advantage of favourable market conditions without any effect on the debt representing accumulated deficits.

Thus the surpluses anticipated at the end of this fiscal year will make it possible to reduce the debt (accumulated deficits) of $82 193 million as at March 31, 2000 to $81 693 million as at March 31, 2001.

CHANGE IN DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

	As at March 31		
	2000	**2001[1]**	**Change**
Consolidated direct debt[2]	61 209	63 708	2 499
Net retirement plans liability	39 337	39 072	– 265
Total debt[2]	**100 546**	**102 780**	**2 234**
Less: financial assets and capital expenditures net of other liabilities	– 18 353	– 21 087	– 2 734
Debt representing accumulated deficits	**82 193**	**81 693**	**– 500**
Budgetary surplus after reserve		**500**	

1 Preliminary results.
2 Excluding pre-financing of $506 million in 1999-2000 and $1 477 million in 2000-2001. Including pre-financing, the total debt reaches $101 052 million in 1999-2000 and $104 257 million in 2000-2001.

Financing

Preliminary results show that the change in direct debt amounts to $2 955 million, $1 764 million more than forecast in the 2000-2001 Budget Speech. Borrowings in fiscal 2000-2001 amount to $8 581 million ($7 580 million for the Consolidated Revenue Fund and $1 001 million for consolidated organizations), $2 356 million more than anticipated in the last Budget Speech.

TABLE 2.6

SUMMARY OF FINANCING TRANSACTIONS
(in millions of dollars)

			2000-2001
	Budget Speech 2000-03-14	**Preliminary results**	**Change**
Change in cash position			
Consolidated Revenue Fund	758	– 971	– 1 729
Consolidated organizations	402	462	60
Total change in cash position	**1 160**	**– 509**	**– 1 669**
Change in direct debt			
Consolidated Revenue Fund			
New borrowings	5 270	7 580	2 310
Repayment of borrowings	– 4 151	– 4 595	– 444
	1 119	2 985	1 866
Consolidated organizations			
New borrowings	955	1 001	46
Repayment of borrowings	– 883	– 1 031	– 148
	72	– 30	– 102
Total change in direct debt	**1 191**	**2 955**	**1 764**
Retirement plans sinking fund	**– 1 877**	**– 2 014**	**– 137**
Total financing of transactions	**474**	**432**	**– 42**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

Financing of the Consolidated Revenue Fund

Preliminary results show that the change in the direct debt of the Consolidated Revenue Fund amounts to $2 985 million, an increase of $1 866 million compared with the forecast in the 2000-2001 Budget Speech. Borrowings in fiscal 2000-2001 amount to $7 580 million, $2 310 million more than anticipated in the last Budget. This increase in borrowings is due mainly to the decision to take advantage of favourable market conditions in order to contract, in late 2000-2001, borrowings that would normally have been made in early 2001-2002. These pre-financing transactions totalled $1 477 million. The increase in borrowings is also explained by the fact that repayments were $444 million higher than expected, while additional deposits of $137 million were made in the retirement plans sinking fund.

Owing to pre-financing, the cash level was increased by $971 million, although a $758-million decrease was forecast in last year's Budget Speech.

Financing of consolidated organizations

Preliminary results show that the change in the direct debt of consolidated organizations amounts to $30 million. This is a downward revision of $102 million compared with the forecast in the Budget Speech of last March. The repayment of borrowings in fiscal 2000-2001 amounts to $1 031 million, an increase of $148 million compared with the amount expected in last year's Budget Speech.

This revision is attributable to three factors: a $60-million decrease in long-term financial requirements, given that the anticipated financing was carried out through a reduction in the cash level, a $42-million reduction in the anticipated net financial requirements of consolidated organizations, and the $46-million upward revision in borrowings contracted during the fiscal year.

Borrowings

In all, the government contracted borrowings of $8 581 million in 2000-2001, of which $7 580 million was for Consolidated Revenue Fund needs (including $2 014 million to make deposits in the retirement plans sinking fund) and $1 001 million for consolidated organizations.

Realization of the financing program was characterized by the exceptional receptivity of financial markets to Québec securities.

In all, 76% of the financing program, or $6 543 million, was conducted on the Canadian market. The government carried out on this market seven public issues of negotiable bonds for a total of $2 869 million, and real return issues for a total of $143 million. Private investments totalling $2 267 million were made with the Caisse de dépôt et placement du Québec, and $741 million were obtained through the issue of medium-term notes. Lastly, savings products sold by Placements Québec should provide the government with $520 million in financing.

Borrowings totalling $2 038 million, or 24% of the financing program, were obtained on foreign markets as part of the government's financing sources diversification strategy. Three bond issues were made on these markets. First, a global bond issue in US dollars for US$1 billion (CAN$1 493 million) was carried out in January 2001. A bond issue intended for the retail market was then made on the euro market for €150 million (CAN$213 million). Lastly, the government carried out a first public bond issue on the Australian market for AUS$400 million (CAN$315 million). Québec is the first government in Canada to make a public bond issue on this market.

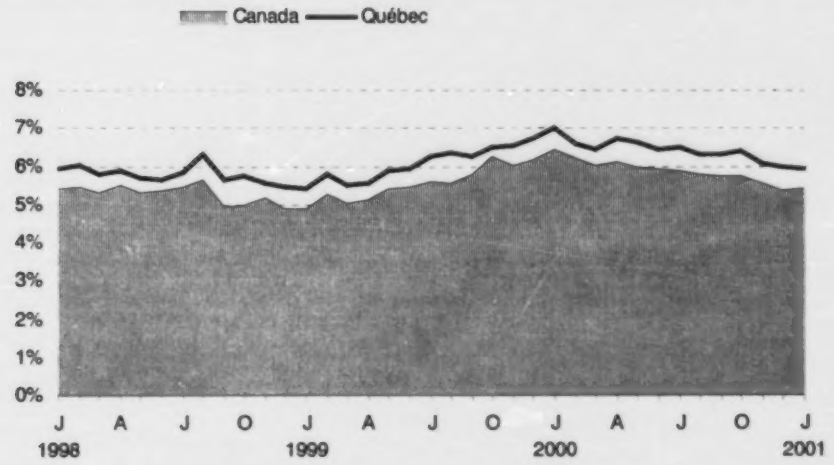
TABLE 2.7

SUMMARY OF BORROWINGS IN 2000-2001
(in millions of dollars)

Currency and market	Consolidated Revenue Fund	Consolidated organizations	Total	
				%
Canadian dollar				
Canadian market				
Public issues				
Negotiable bonds	2 813	56	2 869	43.8
Real return bonds	143	—	143	2.2
Medium-term notes	696	45	741	11.3
Private issues				
Caisse de dépôt et placement du Québec	1 367	900	2 267	34.7
Canada Pension Plan Investment Fund	6	—	6	—
Savings products	520	—	520	8.0
Immigrant Investor Program	1	—	1	—
Change in the debt resulting from currency swaps	– 4	—	– 4	—
Sub-total	**5 542**	**1 001**	**6 543**	**76.3**
US dollar				
Public issue				
Negotiable bonds	1 493	—	1 493	100.0
Sub-total	**1 493**	**—**	**1 493**	**17.4**
Other currencies				
Public issues				
Euro	213	—	213	39.1
Australian dollar	315	—	315	57.8
Medium-term notes				
Euro	17	—	17	3.1
Sub-total	**545**	**—**	**545**	**6.3**
Total	**7 580**	**1 001**	**8 581**	**100.0**

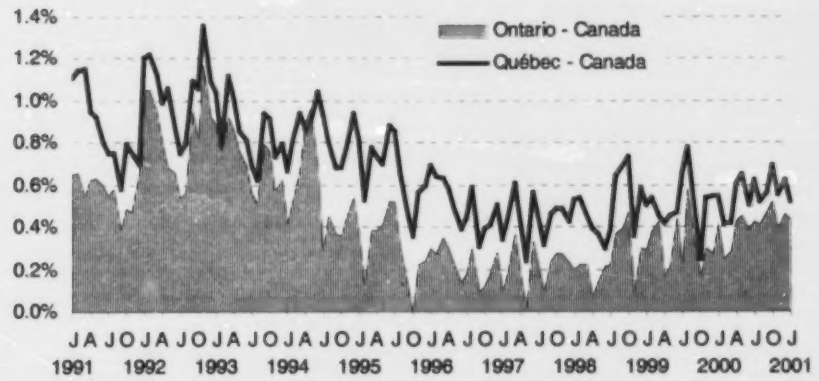
GRAPH 2.1

YIELD ON QUÉBEC AND CANADA LONG-TERM (10-YEAR) GOVERNMENT SECURITIES



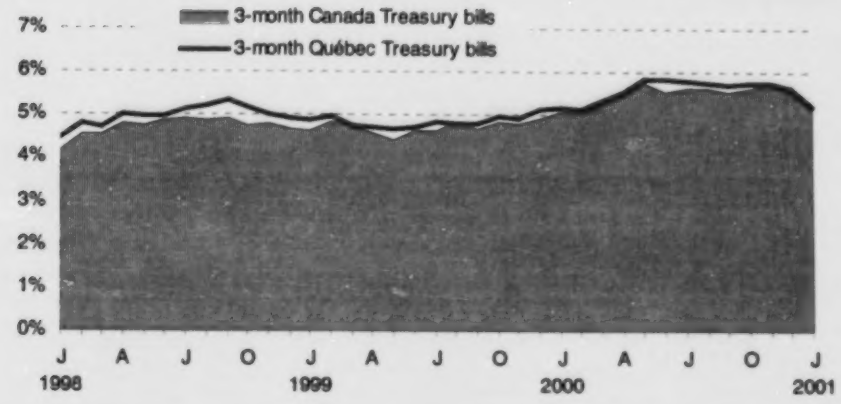
GRAPH 2.2

YIELD SPREADS ON LONG-TERM (10-YEAR) SECURITIES



GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES



Repayment of borrowings

Preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 2000-2001 amounts to $5 626 million, $592 million more than forecast in the Budget Speech of March 14, 2000.

Repayment of borrowings of the Consolidated Revenue Fund

Preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund amounts to $4 595 million, $444 million more than anticipated in the Budget Speech of last March.

This rise is explained mainly by an increase in the redemption of savings products, the higher-than-anticipated revenue of the retirement plans sinking fund, which is recorded as repayments, and the payments made under the credit policy relating to interest rate and currency swap agreements.

Repayment of borrowings of consolidated organizations

Preliminary results show that the repayment of borrowings of consolidated organizations for fiscal 2000-2001 amounts to $1 031 million, $148 million more than forecast in the last Budget Speech.

Total government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

According to the preliminary data, the consolidated direct debt amounts to $65 185 million as at March 31, 2001, or $61 396 million as direct debt of the Consolidated Revenue Fund and $3 789 million as debt of the consolidated organizations.

It should be noted that an amount of $1 477 million included in the consolidated direct debt represents pre-financing in 2000-2001 that will be used to cover part of the borrowings to be made in 2001-2002. Excluding this pre-financing, the consolidated direct debt of the Québec government amounts to $63 708 million as at March 31, 2001, including $59 919 million as direct debt of the Consolidated Revenue Fund.

The net retirement plans liability totals $39 072 million as at March 31, 2001 and consists of $46 126 million as the retirement plans liability minus the value of the RPSF, or $7 054 million.

Excluding pre-financing, the total debt is $102 780 million.

TABLE 2.8

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2001
(in millions of dollars)

	Consolidated direct debt				
	Direct debt of the Consolidated Revenue Fund	Consolidated organizations	Total	Retirement plans liability	Total debt
Anticipated debt as at March 31, 2001	61 396	3 789	65 185	46 126	111 311
Retirement plans sinking fund	—	—	—	– 7 054	– 7 054
Pre-financing	– 1 477	—	– 1 477	—	– 1 477
Total	**59 919**	**3 789**	**63 708**	**39 072**	**102 780**

Structure of the government's total debt

As at March 31, 2001, the proportion of the consolidated direct debt in Canadian dollars amounts to 68.0% and the proportion in foreign currency, 32.0%. If the net retirement plans liability, for which all commitments are in Canadian dollars, is also taken into account, the proportion of the total debt in Canadian dollars rises to 80.0%.

TABLE 2.9

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2001 INCLUDING THE IMPACT OF CURRENCY SWAPS
(in millions of dollars)

	Consolidated direct debt							
Currency	Direct debt of the Consolidated Revenue Fund	%	Consolidated organizations	Total	%	Net retirement plans liability	Total debt	%
Canadian dollar	40 691	66.3	3 671	44 362	68.0	39 072	83 434	80.0
US dollar	13 166	21.4	118	13 284	20.4	—	13 284	12.7
Yen	5 385	8.8	—	5 385	8.3	—	5 385	5.2
Swiss franc	2 154	3.5	—	2 154	3.3	—	2 154	2.1
Euro	—	—	—	—	—	—	—	—
Pound sterling	—	—	—	—	—	—	—	—
Sub-total	**61 396**	**100.0**	**3 789**	**65 185**	**100.0**	**39 072**	**104 257**	**100.0**
Pre-financing	**– 1 477**		—	**– 1 477**		—	**– 1 477**	
Total	**59 919**		**3 789**	**63 708**		**39 072**	**102 780**	

Note: The debt in foreign currency is expressed in the Canadian equivalent at the exchange rates effective on February 28, 2001.

Structure of the direct debt of the Consolidated Revenue Fund

The proportion of the direct debt of the Consolidated Revenue Fund in Canadian dollars amounts to 66.3% and the proportion in foreign currency, 33.7%. At the end of the current fiscal year, the share at fixed rates amounts to 53.4%, while the share at variable rates stands at 46.6%.

The weighted average maturity of this debt, excluding savings bonds and Treasury bills, rose from 11.4 years as at March 31, 2000 to 11.8 years as at March 31, 2001.

Savings products outstanding should total $2 688 million and represent 4.4% of this debt. Treasury bills outstanding total $1 772 million, or 2.9% of the direct debt of the Consolidated Revenue Fund.

Net retirement plans liability

The retirement plans liability is the recorded value of government commitments with regard to the retirement plans of public and parapublic sector employees. As at March 31, 2001, this value amounts to $46 126 million.

In 1993, the government created the retirement plans sinking fund (RPSF), which constitutes a cash reserve that may eventually be used for paying the retirement benefits of public and parapublic sector employees. It is managed by the Caisse de dépôt et placement du Québec (CDPQ).

As at March 31, 2001, the value of the RPSF amounts to $7 054 million, $2 014 million more than the previous year. This increase is due to deposits of $1 606 million made by the government in 2000-2001 and investment income of $408 million.[1]

As at March 31, 2001, the net retirement plans liability totals $39 072 million.

The government contracts borrowings on financial markets in order to make deposits in the RPSF. It should be noted that the amounts deposited in the RPSF do not affect the government's total debt. The amount of borrowings contracted to make deposits in the RPSF increases the direct debt of the Consolidated Revenue Fund while reducing the net retirement plans liability by the same amount.

To analyze the change in the components of the direct debt of the Consolidated Revenue Fund from one fiscal year to the next, it is important to exclude the impact of the RPSF.

As shown in the following table, the direct debt of the Consolidated Revenue Fund rose by $2 263 million between March 31, 2000 and March 31, 2001 (after adjustment to take pre-financing into account). However, this increase is essentially due to the substantial deposits made in the RPSF in 2000-2001. If the value of the RPSF as at March 31 of each fiscal year were subtracted from the direct debt of the Consolidated Revenue Fund, it can be noted that this debt, in the absence of the RPSF, would have increased by $249 million, while the retirement plans liability would have risen by $1 749 million.

1 Investment income from the RPSF is calculated according to the rate of return used for the actuarial valuations of the retirement plans. The rate is changed every three years when new actuarial valuations are carried out, and the income from the fund is adjusted to reflect the real income recorded over the three previous years.

TABLE 2.10

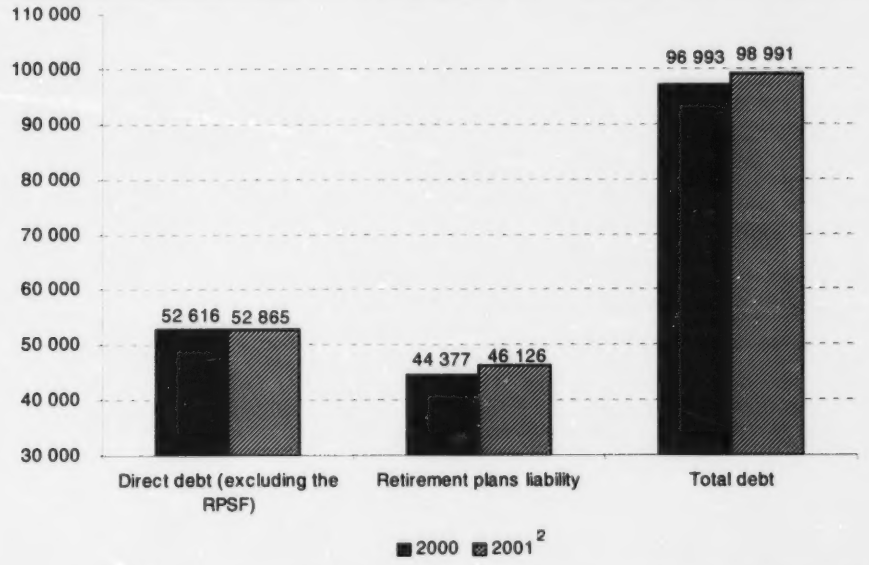
IMPACT OF THE RPSF ON THE DIRECT DEBT AND THE RETIREMENT PLANS LIABILITY[1]
(in millions of dollars)

	As at March 31		
	2000	**2001[2]**	**Change**
Direct debt (including the RPSF and pre-financing)	58 162	61 396	3 234
Pre-financing	– 506	– 1 477	– 971
Direct debt (including the RPSF)	57 656	59 919	2 263
Balance of the RPSF	– 5 040	– 7 054	– 2 014
Direct debt (excluding the RPSF)	**52 616**	**52 865**	**249**
Net retirement plans liability	39 337	39 072	– 265
Balance of the RPSF	5 040	7 054	2 014
Retirement plans liability	**44 377**	**46 126**	**1 749**
Total debt	**96 993**	**98 991**	**1 998**

1 Excluding the debt of consolidated organizations.
2 Preliminary results.

GRAPH 2.4

DIRECT DEBT (EXCLUDING THE RPSF), RETIREMENT PLANS LIABILITY AND TOTAL DEBT[1]
(in millions of dollars)



1 Excluding the debt of consolidated organizations.
2 Preliminary results.

Public sector borrowings and investments

During the 2000 calendar year, gross long-term public sector borrowings totalled $13 690 million, a decline of $10 million compared with the previous year.

TABLE 2.11

LONG-TERM PUBLIC SECTOR BORROWINGS
(in millions of dollars)

	Calendar year				
	1996	**1997**	**1998**	**1999**	**2000**[1]
Gross borrowings					
Government[2]	6 984	8 351	8 382	7 126	5 711
Educational institutions	1 259	881	468	982	2 166
Health and social services institutions	750	570	453	504	454
Hydro-Québec[3]	1 792	1 884	2 481	2 220	2 078
Other government enterprises	1 361	1 117	105	699	984
Municipal bodies	2 575	2 086	2 167	2 169	2 297
Total	**14 721**	**14 889**	**14 056**	**13 700**	**13 690**
Repayments	**10 015**	**12 259**	**13 069**	**9 939**	**13 550**
Net borrowings	**4 706**	**2 630**	**987**	**3 761**	**140**

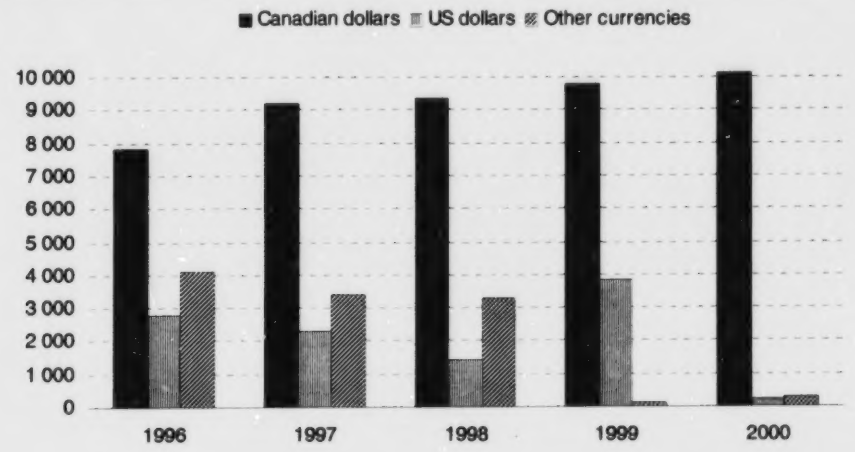
1 Preliminary results.
2 Amounts borrowed during the calendar year for the requirements of the Consolidated Revenue Fund, excluding less-than-one-year net borrowings made as long-term financing transactions, which explains the difference between this list and the list of borrowings made over the fiscal year given later in this text. These amounts also exclude borrowings to cover the requirements of consolidated organizations, non-consolidated organizations and Financement-Québec, which are distributed among the organizations and networks for which they were intended.
3 Amounts borrowed during the calendar year, excluding less-than-one-year net borrowings made as long-term financing transactions.

Gross borrowings in Canadian dollars totalled $13 243 million in 2000, or 96.7% of total borrowings by the public sector. Gross borrowings in US dollars reached $192 million, or 1.4% of the total, while those in other currencies amounted to $255 million, or 1.9% of the total.

Taking repayments into consideration, net public sector borrowings are estimated at $140 million in 2000. The ratio of net borrowings to gross domestic product rose from 1.84% of GDP in 1999 to 0.06% in 2000.

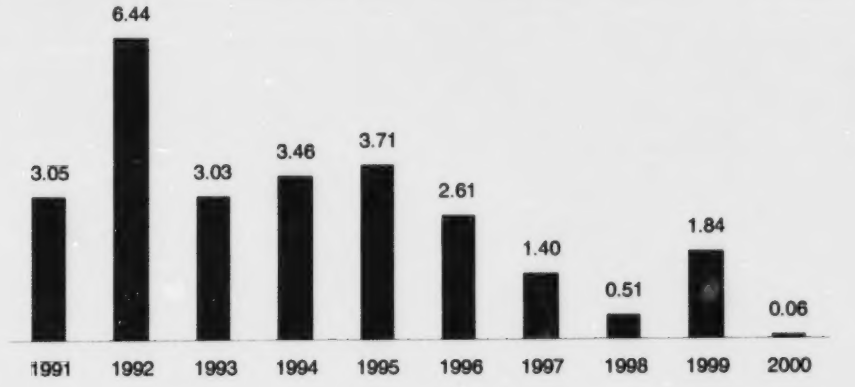
GRAPH 2.5

GROSS PUBLIC SECTOR BORROWINGS BY CURRENCY
(in millions of dollars)



GRAPH 2.6

NET PUBLIC SECTOR BORROWINGS COMPARED WITH GROSS DOMESTIC PRODUCT
(as a percentage)



In 2000, public sector investments amounted to $7 338 million, an increase of $1 155 million compared with the previous year.

TABLE 2.12

PUBLIC SECTOR INVESTMENTS
(in millions of dollars)

	Calendar year				
	1996	**1997**	**1998**	**1999**	**2000**[1]
Government[2]	878	799	924	955	1 005
Educational institutions[3]	681	818	639	939	897
Health and social services institutions[3]	448	409	628	623	833
Hydro-Québec[4]	2 047	1 571	1 986	1 457	1 660
Other government enterprises[5]	393	463	454	506	1 017
Municipal bodies[6]	2 142	1 948	1 941	1 703	1 926
Total	**6 589**	**6 008**	**6 572**	**6 183**	**7 338**

1 Preliminary results.

2 Government investments include its capital expenditures as well as grants and loans for investments made available to economic agents outside the public sector. Financial investments in other components of the public sector are therefore excluded.
Sources: Public Accounts of the gouvernement du Québec, Secrétariat du Conseil du trésor and ministère des Finances du Québec.

3 Investments by school boards, colleges, universities and health and social services institutions include the share paid by the government and that paid by the institutions themselves. It should be noted that the share paid by the government is financed by subsidies for the debt service.
Source: Secrétariat du Conseil du trésor.

4 Financial investments and commercial programs were excluded beginning in 1997.
Source: Hydro-Québec.

5 Investments by government enterprises correspond to the increase in long-term assets. Investments of the Société québécoise d'assainissement des eaux are included under "municipal bodies".
Sources: Financial statements of the enterprises of the gouvernement du Québec and ministère des Finances du Québec.

6 Investments by municipal bodies include those related to water purification, public transportation and cultural and community facilities, as well as other municipal investments.
Sources: Secrétariat du Conseil du trésor, ministère des Affaires municipales et de la Métropole and ministère des Finances du Québec.

The following table presents a comparative analysis of borrowings and investments by the public sector as a whole. Total net public sector borrowings include, in addition to the net long-term borrowings mentioned earlier, less-than-one-year borrowings made as long-term financing transactions, including Treasury bills and Treasury notes issued by the government, and the annual surplus of the government retirement plans liability. Over the four preceding years, net public sector borrowings were systematically lower than public sector investments. In 2000, the ratio of net borrowings to investments was – 0.20.

TABLE 2.13

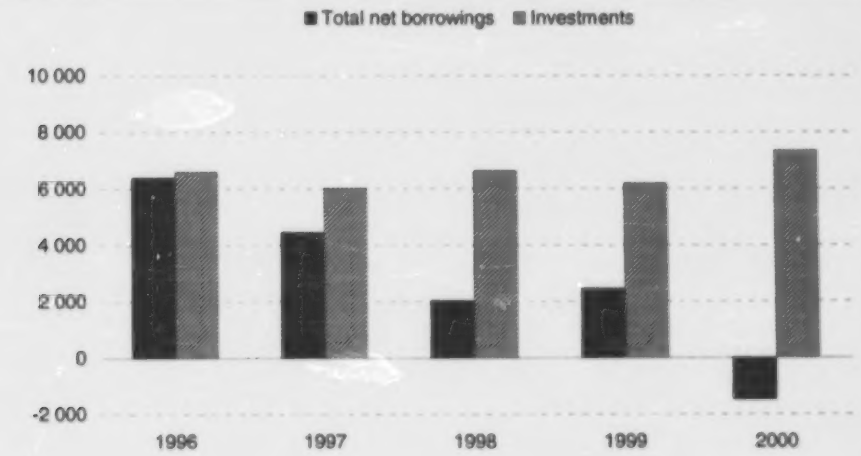
TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)

	Calendar year				
	1996	**1997**	**1998**	**1999**	**2000**[1]
Net long-term borrowings	4 706	2 630	987	3 761	140
Less-than-one-year net borrowings made as long-term financing transactions	—	—	—	—	—
Annual surplus of the government retirement plans liability[2]	1 678	1 827	1 040	– 1 303	– 1 623
Total net borrowings	**6 384**	**4 457**	**2 027**	**2 458**	**– 1 483**
Investments	**6 589**	**6 008**	**6 572**	**6 183**	**7 338**
Ratio	**0.97**	**0.74**	**0.31**	**0.40**	**– 0.20**

1 Preliminary results.
2 This amount takes into account deposits made in the retirement plans sinking fund and the income of this fund.

GRAPH 2.7

TOTAL NET BORROWINGS AND INVESTMENTS BY THE PUBLIC SECTOR
(in millions of dollars)



Historical data and preliminary results

TABLE 2.14

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS
(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001 [1]
Budgetary transactions				
Own-source revenue	35 842	38 605	41 047	42 729
Government of Canada transfers	5 989	8 090	6 352	8 174
Total revenue	41 831	46 695	47 399	50 903
Operating expenditure	- 36 645	- 39 382	- 39 997	- 41 789
Debt service	- 7 343	- 7 187	- 7 372	- 7 664
Total expenditure	- 43 988	- 46 569	- 47 369	- 49 453
Reserve for health and social services, education, social solidarity and research	—	—	—	- 950
Budgetary surplus (deficit) after reserve	**- 2 157**	**126**	**30**	**500**
Non-budgetary transactions				
Investments, loans and advances	- 1 315	- 1 402	- 2 022	- 1 638
Capital expenditures	- 209	- 217	- 359	- 386
Retirement plans	1 888	1 020	1 740	1 749
Other accounts	109	996	1 328	- 657
Non-budgetary surplus (shortfall)	**473**	**397**	**687**	**- 932**
Net financial surplus (requirements)	**- 1 684**	**523**	**717**	**- 432**
Financing transactions				
Change in cash position	473	- 1 983	2 246	- 509
Change in direct debt [2]	1 295	2 490	- 132	2 955
Retirement plans sinking fund [3]	- 84	- 1 030	- 2 831	- 2 014
Total financing of transactions	**1 684**	**- 523**	**- 717**	**432**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease. For purposes of comparison, the data are presented on the basis of the 2001-2002 budgetary and financial structure.

1 The preliminary results for 2000-2001 are based on actual data recorded from April 2000 to January 2001 and on an estimate, as at March 16, 2001, of the February and March results for which transactions will be posted, up to the closing of the books, to 2000-2001 transactions.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001
Own-source revenue				
Income and property taxes				
Personal income tax	14 531	15 356	16 029	17 006
Contributions to Health Services Fund	3 893	4 117	4 291	4 458
Corporate taxes[1]	3 443	3 406	3 643	4 192
	21 867	22 879	23 963	25 656
Consumption taxes				
Sales	5 488	6 426	6 761	7 499
Fuel	1 486	1 559	1 560	1 528
Tobacco	323	523	498	495
	7 297	8 508	8 819	9 522
Duties and permits				
Motor vehicles	641	664	667	683
Alcoholic beverages	129	135	139	148
Natural resources[2]	381	242	354	236
Other	164	168	182	180
	1 315	1 209	1 342	1 247
Miscellaneous				
Sales of goods and services	452	450	422	420
Interest	283	346	363	386
Fines, forfeitures and recoveries	503	402	345	342
	1 238	1 198	1 130	1 148
Revenue from government enterprises[3]				
Société des alcools du Québec	378	408	442	471
Loto-Québec	1 068	1 167	1 289	1 305
Hydro-Québec	636	754	1 090	1 083
Other	652	802	1 122	598
	2 734	3 131	3 943	3 457
Consolidated organizations	1 391	1 680	1 850	1 699
Total own-source revenue	**35 842**	**38 605**	**41 047**	**42 729**
Government of Canada transfers				
Programs				
Equalization	4 229	5 385	4 387	5 650
Canada Health and Social Transfer	1 660	1 697	1 120	1 597
Contributions to welfare programs	—	—	11	—
EPF and other transfers related to fiscal arrangements	26	60	11	30
Other programs	- 244	690	553	648
Consolidated organizations	318	258	270	249
Total Government of Canada transfers	**5 989**	**8 090**	**6 352**	**8 174**
Total budgetary revenue	**41 831**	**46 695**	**47 399**	**50 903**

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as tax on telecommunications, gas and electricity beginning in 2000-2001.
2 Including forest, mining and hydraulic resources.
3 According to the modified equity method.

TABLE 2.16

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	1997-1998	1998-1999	1999-2000	2000-2001
Operating expenditure				
Assemblée nationale	67	74	74	81
Personnes désignées par l'Assemblée nationale	36	94	41	43
Affaires municipales et Métropole	1 189	996	1 099	1 343
Agriculture, Pêcheries et Alimentation	515	550	531	677
Conseil du trésor, Administration et Fonction publique[1]	587	412	372	491
Conseil exécutif	41	44	179	61
Culture et Communications	429	524	496	532
Education	9 449	9 580	9 825	10 079
Emploi et Solidarité sociale	3 779	4 158	4 064	4 101
Environnement	158	190	271	235
Famille, Enfance et Condition féminine	1 278	1 470	1 497	1 537
Faune et Parcs	121	111	80	147
Finances (excluding debt service)	312	354	303	465
Industrie et Commerce	167	130	155	266
Justice	454	486	459	469
Recherche, Science et Technologie	143	258	299	257
Régions	105	135	152	144
Relations avec les citoyens et Immigration	137	147	142	179
Relations internationales	77	88	98	102
Ressources naturelles	300	369	485	337
Revenu	1 085	845	721	710
Santé et Services sociaux	12 923	14 596	14 828	15 993
Sécurité publique	664	703	701	745
Tourisme, Loisir et Sport	104	121	173	134
Transports	1 363	1 507	1 578	1 491
Travail	68	72	81	72
Program spending	35 551	38 014	38 704	40 691
Consolidated organizations	1 094	1 368	1 293	1 098
Total operating expenditure	**36 645**	**39 382**	**39 997**	**41 789**
Debt service				
Consolidated Revenue Fund	6 766	6 574	6 751	6 996
Consolidated organizations	577	613	621	668
Total debt service	**7 343**	**7 187**	**7 372**	**7 664**
Total budgetary expenditure	**43 988**	**46 569**	**47 369**	**49 453**

1 The 2000-2001 preliminary results contain provisions which allow transfers to other departments and agencies between the date the budget documents are produced and the end of the fiscal year.

TABLE 2.17

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001
Investments, loans and advances				
Consolidated Revenue Fund				
GOVERNMENT ENTERPRISES				
SHARES AND INVESTMENTS:				
Société générale de financement du Québec	- 90	- 40	- 150	- 350
Société Innovatech du Grand Montréal	—	- 101	- 35	- 42
Société Innovatech Québec et Chaudière-Appalaches	—	- 31	- 9	- 11
Société Innovatech Sud du Québec	—	- 7	- 4	- 4
Société Innovatech Régions ressources	—	—	- 8	- 10
Other	- 3	- 5	- 1	- 4
	- 93	- 184	- 207	- 421
CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 931	- 1 282	- 1 798	- 1 153
LOANS AND ADVANCES:				
Société générale de financement du Québec	9	—	14	—
Société Innovatech du Grand Montréal	- 36	62	—	—
Société Innovatech Québec et Chaudière-Appalaches	- 14	21	—	—
Société Innovatech Sud du Québec	—	3	—	—
Other	—	—	10	—
	- 41	86	24	—
Total government enterprises	-1 065	-1 380	-1 981	-1 574
INDIVIDUALS, CORPORATIONS AND OTHERS	- 356	- 119	- 53	- 163
MUNICIPALITIES AND MUNICIPAL BODIES	5	3	6	2
	- 1 416	- 1 496	- 2 028	- 1 735
Consolidated organizations	101	94	6	97
Total investments, loans and advances	**- 1 315**	**- 1 402**	**- 2 022**	**- 1 638**
Capital expenditures				
Consolidated Revenue Fund				
Net investments	-117	-69	-85	-157
Amortization	381	372	354	346
	264	303	269	189
Consolidated organizations	-473	-520	-628	-575
Total capital expenditures	**-209**	**-217**	**-359**	**-386**

TABLE 2.17 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001
Retirement plans				
CONTRIBUTIONS BY THE GOVERNMENT				
Contributions by the government as employer:				
RREGOP:				
Annual cost of constituted benefits[1]	608	693	754	973
Amortization of actuarial gain (-) or loss	—	66	77	66
Amortization of unrecorded actuarial liabilities and cost of changes to plan	—	—	44	—
Other plans:				
Annual cost of constituted benefits[1]	135	147	140	167
Amortization of actuarial gain (-) or loss	—	—	62	20
Amortization of unrecorded actuarial liabilities and cost of changes to plans	—	24	—	—
Total government contribution	743	930	1 077	1 226
Contributions by independent employers	22	8	24	8
Participants contributions	120	206	124	110
Total contributions	142	214	148	118
Benefits, repayments and administrative expenses	- 2 046	- 2 624	- 2 336	- 2 565
Interest on retirement plans liability charged to debt service[2]	3 049	2 500	2 851	2 970
Total retirement plans	**1 888**	**1 020**	**1 740**	**1 749**
Other accounts				
Consolidated Revenue Fund	553	909	1 021	- 521
Consolidated organizations	- 444	87	307	- 136
Total other accounts	**109**	**996**	**1 328**	**- 657**
Total non-budgetary transactions	**473**	**397**	**687**	**- 932**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service. The annual cost of constituted benefits includes the pension costs of consolidated organizations, i.e. $40 million in 2000-2001.

2 Excluding revenue generated by the retirement plans sinking fund.

TABLE 2.18

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
(in millions of dollars)

	1997-1998	1998-1999	1999-2000	2000-2001
Change in cash position				
Consolidated Revenue Fund	-22	-2 831	2 325	-971
Consolidated organizations	495	848	- 79	462
Total change in cash position	**473**	**-1 983**	**2 246**	**-509**
Change in direct debt				
Consolidated Revenue Fund				
New borrowings	9 027	9 355	5 189	7 580
Repayment of borrowings	- 8 015	- 6 399	- 5 509	- 4 595
	1 012	2 956	- 320	2 985
Consolidated organizations				
New borrowings	1 094	296	891	1 001
Repayment of borrowings	-811	-762	-703	-1 031
	283	-466	188	-30
Total change in direct debt	**1 295**	**2 490**	**- 132**	**2 955**
Retirement plans sinking fund[1]	**- 84**	**- 1 030**	**- 2 831**	**- 2 014**
Total financing of transactions	**1 684**	**- 523**	**- 717**	**432**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.19

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 2000-2001

Amount in Canadian dollars[1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to investor	Yield to investor[3]
(in millions)		%			$	%
15[4]	—	4.50	May 19	2026-12-01	105.034	4.184
395	—	6.50	May 23	2005-12-01	98.702	6.785
5[4]	—	4.50	June 14	2026-12-01	105.142	4.177
389	—	6.25	June 27	2032-06-01	97.157	6.481
394	—	6.25	August 1	2010-12-01	98.446	6.457
391	—	6.25	August 22	2032-06-01	97.642	6.424
394	—	6.25	September 1	2010-12-01	98.512	6.449
20[4]	—	4.50	September 7	2026-12-01	106.938	4.067
384	—	6.25	November 6	2032-06-01	96.090	6.544
6[4]	—	4.50	December 11	2026-12-01	110.054	3.882
62[4]	—	4.50	December 19	2026-12-01	110.379	3.863
1 493	US$1 000	6.125	January 22	2011-01-22	99.139	6.242
7[4]	—	4.50	February 9	2026-12-01	112.489	3.741
7[4]	—	4.50	February 9	2026-12-01	112.489	3.741
6[4]	—	4.50	February 9	2026-12-01	112.506	3.740
2[4]	—	4.50	February 13	2021-12-01	110.789	3.750
2[4]	—	4.50	February 13	2021-12-01	110.789	3.750
11[4]	—	4.25	February 13	2031-12-01	109.421	3.733
213	€150	5.125[5]	February 27	2007-12-27	101.872	4.800
466	—	6.50	March 2	2005-12-01	104.536	5.402
220	AUS$280	5.75	March 7	2006-02-15	99.656	5.830
95	AUS$120	Variable[6]	March 7	2006-02-15	100.000	Variable
1 367[7]	—	Various	Various	Various	Various	Various
696[8]	—	Various	Various	Various	Various	Various
520[9]	—	Various	Various	Various	Various	Various
17[10]	—	Various	Various	Various	Various	Various
6[11]	—	Various	Various	Various	Various	Various
1[12]	—	Various	Various	Various	Various	Various
– 4[13]	Various	Various	Various	Various	Various	Various
7 580						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.
5 Interest payable annually.
6 Interest payable quarterly.
7 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
8 Medium-term notes on the Canadian market.
9 Savings products issued by Placements Québec.
10 Medium-term notes on various European markets.
11 Borrowings from the Canada Pension Plan Investment Fund.
12 Immigrant Investor Program.
13 Amount disbursed under interest rate and currency swap agreements.

Note: The gouvernement du Québec has credit agreements with various banks and financial institutions for a total of US$3 500 million. None of the credit agreements is being drawn upon.

TABLE 2.20

BORROWINGS FOR CONSOLIDATED ORGANIZATIONS IN 2000-2001

Amount in Canadian dollars[1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to investor	Yield to investor[3]
(in millions)		%			$	%
56	—	6.50	March 2	2005-12-01	104.536	5.402
900[4]	—	Various	Various	Various	Various	Various
45[5]	—	Various	Various	Various	Various	Various
1 001						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
5 Medium-term notes on the Canadian market.

TABLE 2.21

BORROWINGS BY FINANCEMENT-QUÉBEC IN 2000-2001[1]

Amount in Canadian dollars[2]	Face value in foreign currency	Interest rate[3]	Date of issue	Date of maturity	Price to investor	Yield to investor[4]
(in millions)		%			$	%
175	—	6.25	July 20	2003-12-01	99.982	6.253
25	—	6.25	July 31	2003-12-01	99.782	6.320
25	—	6.25	August 1	2003-12-01	99.823	6.306
25	—	6.25	August 4	2003-12-01	99.537	6.403
50	—	6.25	August 10	2003-12-01	99.900	6.280
10	—	6.25	August 11	2003-12-01	99.992	6.249
10	—	6.25	August 11	2003-12-01	99.965	6.258
50	—	6.25	August 14	2003-12-01	100.065	6.224
50	—	6.25	August 14	2003-12-01	100.000	6.246
105	—	Variable[5]	August 14	2003-12-01	99.996	Variable
3	—	6.25	August 15	2003-12-01	100.110	6.209
3	—	6.25	August 15	2003-12-01	100.110	6.209
15	—	6.25	August 15	2003-12-01	100.110	6.209
50	—	6.25	August 15	2003-12-01	100.071	6.222
25	—	6.25	August 16	2003-12-01	100.126	6.203
9	—	6.25	August 16	2003-12-01	100.085	6.217
51	—	6.25	August 16	2003-12-01	100.094	6.214
25	—	Variable[5]	August 16	2003-12-01	100.026	Variable
3	—	6.30	August 16	2006-06-01	99.888	6.321
3	—	6.30	August 16	2006-06-01	99.888	6.321
25	—	6.25	August 17	2003-12-01	100.173	6.187
10	—	6.30	August 17	2006-06-01	99.955	6.307
87	—	6.30	August 17	2006-06-01	99.931	6.312
10	—	6.30	August 17	2006-06-01	100.031	6.291
10	—	6.30	August 17	2006-06-01	100.031	6.291
16	—	6.30	August 18	2006-06-01	100.127	6.271
21	—	6.30	August 18	2006-06-01	100.127	6.271
40	—	6.25	August 18	2003-12-01	100.220	6.171
10	—	6.30	August 18	2006-06-01	99.950	6.308
10	—	6.30	August 18	2006-06-01	100.017	6.294
20	—	6.30	August 21	2006-06-01	99.739	6.352
10	—	6.30	August 21	2006-06-01	99.806	6.338
15	—	6.30	August 21	2006-06-01	99.749	6.350
30	—	6.30	August 22	2006-06-01	99.864	6.326
30	—	6.30	August 24	2006-06-01	99.931	6.312
73	—	6.25	September 1	2015-12-01	97.847	6.473
24	—	6.25	September 1	2015-12-01	97.847	6.473
59	—	6.25	September 1	2015-12-01	97.847	6.473
10	—	6.25	September 8	2015-12-01	98.858	6.367
15	—	6.25	September 8	2015-12-01	98.724	6.381
23	—	6.30	October 4	2006-06-01	100.555	6.180
111	—	6.25	December 18	2003-12-01	101.399	5.727
194	—	6.30	December 18	2006-06-01	101.908	5.885
52	—	6.25	December 21	2015-12-01	100.507	6.197
25	—	6.25	December 21	2015-12-01	100.604	6.187
13	—	6.25	December 21	2015-12-01	100.643	6.183
8	—	6.25	December 21	2015-12-01	100.837	6.163
27	—	6.25	December 27	2015-12-01	100.507	6.197
1 690						

1 Financement-Québec is a government enterprise that was created in 1999-2000 to make loans to certain public sector establishments in Québec, particularly those in the health and social services network and the education network. Previously, these establishments contracted borrowings from the Financing Fund. Financement-Québec makes borrowings on financial markets in its own name, with guarantees from the government.

2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

3 Interest payable semi-annually except if another frequency is indicated in a note.

4 Yield to investor is determined on the basis of interest payable semi-annually.

5 Interest payable quarterly.

TABLE 2.22

BORROWINGS BY HYDRO-QUÉBEC IN 2000

Amount in Canadian dollars[1]	Face value in foreign currency	Interest rate[2]	Date of issue	Date of maturity	Price to investor	Yield to investor[3]
(in millions)		%			$	%
499[4]	—	Variable[5]	January 28	2005-01-28	99.757	Variable
398	—	6.50	June 12	2011-02-15	99.502	6.564
404	—	6.50	August 28	2011-02-15	101.085	6.356
777[6]	—	Various	Various	Various	Various	Various
2 078						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Borrowing in Canadian dollars on the world market.
5 Interest payable quarterly.
6 Medium-term notes on the Canadian market.
Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US$1 800 million. None of the credit agreements was being drawn upon at December 31, 2000.

Section 2

Appendix 2.1

Adjusted forecasts from the 2000-2001 Budget Speech and 2000-2001 preliminary results according to the 2001-2002 budgetary structure

TABLE 2.1.1

ADJUSTED FORECASTS FROM THE 2000-2001 BUDGET SPEECH AND 2000-2001 PRELIMINARY RESULTS ACCORDING TO THE 2001-2002 BUDGETARY STRUCTURE
(in millions of dollars)

	Forecasts presented in the Budget Speech of March 14, 2000			
	2000-2001 budgetary structure	Adjustments[1]	2001-2002 budgetary structure	Preliminary results
Revenue				
Income and property taxes	24 245	43	24 288	25 986
Consumption taxes	9 355	—	9 355	9 657
Duties and permits	1 471	—	1 471	1 417
Miscellaneous	2 448	—	2 448	2 232
Revenue from government enterprises	3 428	—	3 428	3 457
Own-source revenue	40 947	43	40 990	42 729
Government of Canada transfers	7 306	—	7 306	8 174
Total revenue	**48 253**	**43**	**48 296**	**50 903**
Expenditure				
Health and Social Services	– 16 034	—	– 16 034	– 16 473
Education and Culture	– 10 797	—	– 10 797	– 10 825
Support for Individuals and Families	– 4 726	– 43	– 4 769	– 4 845
Economy and Environment	– 5 713	—	– 5 713	– 5 990
Administration and Justice	– 3 558	—	– 3 558	– 3 656
Sub-total	– 40 828	– 43	– 40 871	– 41 789
Debt service	– 7 425	—	– 7 425	– 7 664
Total expenditure	**– 48 253**	**– 43**	**– 48 296**	**– 49 453**
Reserve for health and social services, education, social solidarity and research	—	—	—	**– 950**
Budgetary surplus after reserve	—	—	—	**500**

1 The adjustments required to make the data from the 2000-2001 Budget comparable with those from the 2001-2002 Budget stem from the implementation of the family policy regarding subsidized day care spaces in day care centres, which increases revenue and expenditure by $43 million.

Section 2 Appendix 2.2

Results of consolidated organizations

Results of consolidated organizations

Revenue from consolidated organizations totals $1 948 million, a decrease of $178 million compared with the Budget Speech of last March. Expenditure totals $1 766 million, a decrease of $277 million. These changes are mainly attributable to the higher-than-expected volume of transactions carried out by these organizations in the government's reporting entity.

Net results for consolidated organizations show a surplus of $182 million, $99 million more than forecast in the Budget Speech of March 2000. Results are better than anticipated for certain organizations, notably the Fonds de lutte contre la pauvreté par la réinsertion au travail and Investissement-Québec.

TABLE 2.2.1

CHANGE IN NET RESULTS FOR CONSOLIDATED ORGANIZATIONS[1]
(in millions of dollars)

	1999-2000	2000-2001		
	Actual results	Budget Speech 2000-03-14	Preliminary results	Change compared with Budget
Own-source revenue	1 850	1 870	1 699	– 171
Government of Canada transfers	270	256	249	– 7
Total revenue	**2 120**	**2 126**	**1 948**	**– 178**
Operating expenditure	– 1 293	– 1 368	– 1 098	270
Debt service	– 621	– 675	– 668	7
Total expenditure	**– 1 914**	**– 2 043**	**– 1 766**	**277**
Net results	**206**	**83**	**182**	**99**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.
1 The data in this table exclude transactions carried out with other entities in the government's reporting entity.

Section 3

The Government's Budgetary and Financial Stance

A balanced budget, income tax reductions and additional resources for public services 3

A marked improvement in the financial situation 5

Government revenue 8

Government expenditure 17

Appendices

3.1 Resources allocated to health and social services 19

3.2 Resources allocated to education 23

3.3 Additional information on the budgetary revenue forecast for 2001-2002 27

3.4 Additional information on the government's financial position 33

This section of the 2001-2002 Budget Plan indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance, and net financial requirements or surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in this Budget Speech.

A balanced budget, income tax reductions and additional resources for public services

The government forecasts a budgetary surplus after reserve of $500 million for fiscal 2000-2001. The budget will remain balanced in subsequent fiscal years, as prescribed by the *Act respecting the elimination of the deficit and a balanced budget.*

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	1998-1999	1999-2000	2000-2001[P]	2001-2002[P]	2002-2003[P]
Budgetary transactions					
Own-source revenue	38 605	41 047	42 729	41 652	42 817
Federal transfers	8 090	6 352	8 174	9 484	9 557
Total revenue	46 695	47 399	50 903	51 136	52 374
Operating expenditure	– 39 382	– 39 997	– 41 789	– 43 226	– 44 582
Debt service	– 7 187	– 7 372	– 7 664	– 7 910	– 7 792
Total expenditure	– 46 569	– 47 369	– 49 453	– 51 136	– 52 374
Reserve for health and social services, education, social solidarity and research	—	—	– 950	—	—
Budgetary surplus after reserve	**126**	**30**	**500**	**0**	**0**
Non-budgetary transactions					
Investments, loans and advances	– 1 402	– 2 022	– 1 638	– 2 771	– 1 392
Capital expenditures	– 217	– 359	– 386	– 691	– 784
Retirement plans	1 020	1 740	1 749	1 888	1 947
Other accounts	996	1 328	– 657	804	– 12
Non-budgetary excess amount (shortfall)	**397**	**687**	**– 932**	**– 770**	**– 241**
Net financial surplus (requirements)					
Consolidated Revenue Fund	905	826	0	0	500
Consolidated organizations	– 382	– 109	– 432	– 770	– 741
Total	**523**	**717**	**– 432**	**– 770**	**– 241**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.
P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 Based on the budgetary and financial structure in effect in 2001-2002.

Substantial additional revenue was posted for fiscal 2000-2001 and 2001-2002 compared with the forecasts presented in the Budget Speech of last March. These excess amounts have allowed the government:

— to further reduce personal income tax. Reductions of up to $3.5 billion over the next three years are announced.

— to devote more resources to public services. In this regard, the government has boosted spending substantially, particularly for the health and social services sector, education and the fight against poverty and exclusion. Moreover, additional resources are being provided to support economic development in the regions.

— to allocate $950 million to a reserve. Over the coming years, these funds may be used notably for modernizing the health and social services and education networks and for implementing new social solidarity and research initiatives.

— to reduce government debt by $500 million.

Total net financial requirements will be $432 million in 2000-2001 and $770 million in 2001-2002.

No net financial requirements are forecast for the Consolidated Revenue Fund in 2000-2001 and 2001-2002. Net financial surpluses of $500 million are anticipated for fiscal 2002-2003.

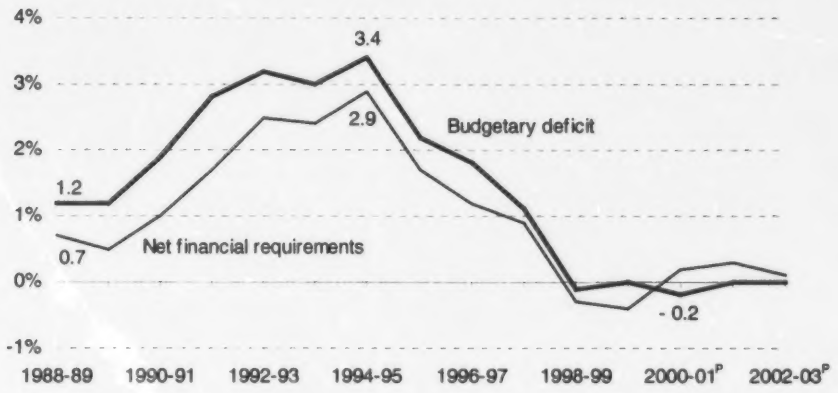
The net financial requirements of consolidated organizations will amount to $432 million in 2000-2001 and $770 million in 2001-2002. These requirements stem for the most part from capital investments, particularly for the Fonds de conservation et d'amélioration du réseau routier.

A marked improvement in the financial situation

The government's financial situation has improved considerably in recent years. While the budgetary deficit accounted for 3.4% of gross domestic product in 1994-1995, it was gradually eliminated thereafter. Since 1998-1999, the government has recorded surpluses. It intends to continue to achieve a balanced budget in the years to come.

GRAPH 3.1

BUDGETARY DEFICIT AND NET FINANCIAL REQUIREMENTS
(as a percentage of GDP)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

The achievement of a budgetary surplus of $500 million after reserve in 2000-2001 will lead to a reduction of the debt (accumulated deficits) as at March 31, 2001 by the same amount.

Several Canadian jurisdictions use the concept of accumulated deficits as an indicator of the change in their financial situation. This indicator, which has been used in Québec's Public Accounts for several years, is different from concepts of direct debt and total government debt, which refer to borrowings outstanding and to commitments with regard to the retirement plans of public and parapublic sector employees.

The debt (accumulated deficits) as at March 31, 2001 totals $81 693 million or $500 million less than as at March 31, 2000. It will remain stable throughout the forecast period.

TABLE 3.2

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions de dollars)

	2000-2001[P]	2001-2002[P]	2002-2003[P]
Opening balance	**82 193**[1]	**81 693**	**81 693**
Less			
Budgetary surplus after reserve	*500*	*0*	*0*
Closing balance	**81 693**	**81 693**	**81 693**

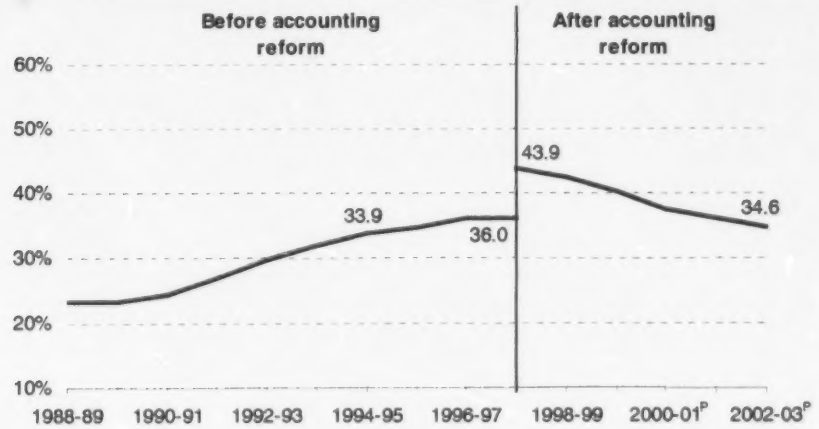
P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 1999-2000 closing balance as shown in the 1999-2000 Public Accounts.

The government's indebtedness rate continues to decline

The gradual elimination of the deficit has resulted in a reduction in the government's indebtedness rate. As a proportion of GDP, the debt (accumulated deficits) will gradually decline, reaching 34.6% as at March 31, 2003, a drop of over 21% in just five years.

GRAPH 3.2

DEBT REPRESENTING ACCUMULATED DEFICITS
(as a percentage of GDP)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

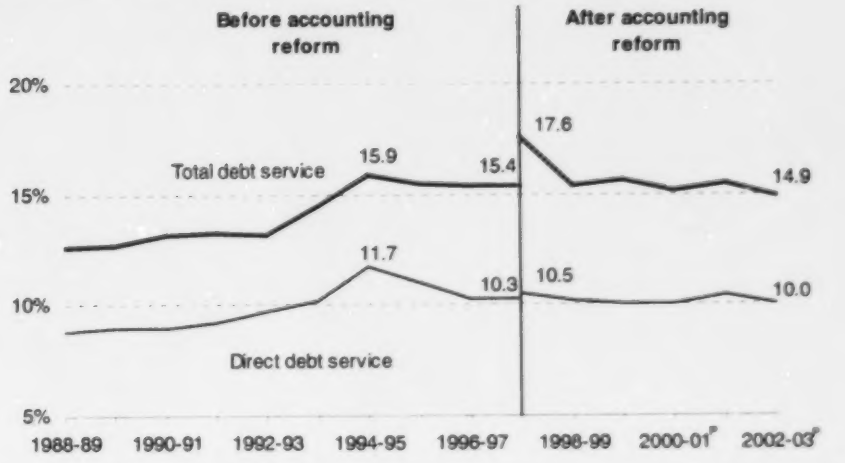
The interest on the debt represents an increasingly smaller share of government revenue

The portion of budgetary revenue allocated to direct debt service should amount to around 10% over the forecast period. It should be noted that direct debt service does not include interest on the net retirement plans liability and includes the debt service of consolidated organizations.

The portion of budgetary revenue allocated to total debt service should continue to decline. Amounting to 17.6% in 1997-1998, it should be 14.9% in 2002-2003.

GRAPH 3.3

DEBT SERVICE
(as a percentage of budgetary revenue)



P: Preliminary results for 2000-2001 and forecasts for subsequent years.

Government revenue

Budgetary revenue

The government's budgetary revenue should total $51 136 million in 2001-2002, i.e. $41 652 million in own-source revenue and $9 484 million in federal transfers. After rising 7.4% in 2000-2001, budgetary revenue should grow by 0.5% in 2001-2002 and 2.4% in 2002-2003.

TABLE 3.3

CHANGE IN BUDGETARY REVENUE
(in millions of dollars)

	1998-99	99-2000	2000-01[P]	2001-02[P]	2002-03[P]
Own-source revenue	38 605	41 047	42 729	41 652	42 817
% change	7.7	6.3	4.1	– 2.5	2.8
Federal transfers	8 090	6 352	8 174	9 484	9 557
% change	35.1	– 21.5	28.7	16.0	0.8
Budgetary revenue	**46 695**	**47 399**	**50 903**	**51 136**	**52 374**
% change	11.6	1.5	7.4	0.5	2.4
Nominal GDP growth rate in %[1]	3.1	5.4	6.9	4.0	4.0
Inflation rate in Canada in %[1]	0.9	1.7	2.7	1.8	1.6

P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue

Overall, own-source revenue should rise by 4.1% in 2000-2001 compared with the preceding year. Substantial increases will be recorded for income taxes and other taxes, owing to strong growth in the major tax bases.

However, revenue from government enterprises will fall by 12.3% in 2000-2001 on account of a decline in the profits of the Commission de la santé et de la sécurité du travail and the Société de l'assurance automobile du Québec. As for the 8.2% drop in the revenue of consolidated organizations, it is explained mainly by the fact that the Fonds spécial de financement des activités locales ceased its operations on December 31, 2000.

TABLE 3.4

CHANGE IN OWN-SOURCE REVENUE BY SOURCE
(in millions of dollars)

	2000-2001[P]	2001-2002[P]	2002-2003[P]
Personal income tax	17 006	15 902	16 134
% change	6.1	– 6.5	1.5
Health Services Fund	4 458	4 436	4 588
% change	3.9	– 0.5	3.4
Corporate taxes	4 192	4 374	4 484
% change	15.1	4.3	2.5
Consumption taxes	9 522	9 742	10 014
% change	8.0	2.3	2.8
Other revenue	2 395	2 280	2 324
% change	– 3.1	– 4.8	1.9
Sub-total excluding government enterprises and consolidated organizations	**37 573**	**36 734**	**37 544**
% change	6.6	– 2.2	2.2
Government enterprises	3 457	3 256	3 490
% change	– 12.3	– 5.8	7.2
Consolidated organizations	1 699	1 662	1 783
% change	– 8.2	– 2.2	7.3
Own-source revenue	**42 729**	**41 652**	**42 817**
% change	4.1	– 2.5	2.8
Nominal GDP growth rate in %[1]	6.9	4.0	4.0

P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue is expected to decrease by 2.5% in 2001-2002, particularly because of the fiscal measures announced in this Budget and in those of previous years. The slowdown in the growth rate will be especially pronounced with regard to personal income tax, the Health Services Fund and corporate taxes. In 2002-2003, despite growth of 4% in nominal GDP, the increase in own-source revenue should be limited to 2.8%, given that the full impact of the fiscal measures announced will be felt that year.

Change in revenue by source:

— Personal income tax, the main source of government revenue,[1] should decline by 6.5% in 2001-2002, to $15.9 billion. During this fiscal year, the increase in tax revenue arising from growth in income subject to tax will be more than offset by the impact of the income tax reductions announced in this Budget and those of previous years. In 2002-2003, the increase in revenue will amount to only 1.5%, which is compatible with the rise in income subject to tax, taking the growing impact of reductions in the tax burden into account.

— Health Services Fund contributions should amount to $4.4 billion in 2001-2002, a level equal to that observed the preceding year. The increase stemming from the growth in wages and salaries is entirely offset by the impact on the Health Services Fund of the tax holiday granted in this Budget to manufacturing enterprises in resource regions and by the reduction in the contribution rate of small and medium-sized enterprises effective since January 1, 2001. This reduction is the last of the gradual reductions introduced as part of the corporate taxation reform announced in the 1998-1999 Budget. In 2002-2003, Health Services Fund contributions are expected to rise by 3.4% owing particularly to the growth in wages and salaries.

— The 4.3% rise in revenue anticipated in corporate taxes in 2001-2002 is due to the growth expected in corporate profits, although this effect will be partly offset by the impact of the measures announced in this Budget. In 2002-2003, revenue should increase by 2.5% given the anticipated slowdown in the growth of corporate profits in 2002 and the impact of the fiscal measures announced.

1 Appendix 3.3 presents the breakdown of the main sources of the government's own-source revenue since 1970-1971.

— Consumption tax revenue should increase by 2.3% in 2001-2002 and 2.8% in 2002-2003, which is comparable to the rate of growth in household consumption, taking into account the change in refund applications submitted by businesses in respect of taxes already paid for goods and services they acquire.

— Revenue from government enterprises should fall by 5.8% in 2001-2002, reflecting the anticipated decline in profits of the Commission de la santé et de la sécurité du travail. In 2002-2003, revenue is expected to increase by 7.2%, owing notably to the anticipated growth in Hydro-Québec's profits.

— Revenue from consolidated organizations should drop by 2.2% in 2001-2002 particularly because of the impact over a full year of the termination of the activities of the Fonds spécial de financement des activités locales on December 31, 2000. In 2002-2003, revenue from consolidated organizations should rise by 7.3% on account of anticipated growth in revenue from the Fonds de l'assurance-médicaments.

Link between growth in own-source revenue and economic growth

Broadly speaking, growth in own-source revenue is expected to match nominal economic growth. Once the financial impact of fiscal measures and certain extraordinary revenue has been taken into account, the average annual growth rate for own-source revenue over the next two years should be 4.3%, compared with a 4.0% increase in gross domestic product.

TABLE 3.5

CHANGE IN OWN-SOURCE REVENUE AND GDP
(in millions of dollars)

	2000-2001[P]	2001-2002[P]	2002-2003[P]
Revenue excluding government enterprises and consolidated organizations	**37 573**	**36 734**	**37 544**
% change		– 2.2	2.2
Less:			
Personal income tax reductions[1]	– 1 052	– 2 867	– 3 765
Impact of other measures[2]	– 615	– 880	– 933
Retroactivity and pay equity[3]	400		
Revenue before measures	**38 840**	**40 481**	**42 242**
% change		4.2	4.4
Gross domestic product	**218 171**	**226 876**	**236 031**
% change		4.0	4.0
Elasticity[4]		**1.06**	**1.08**

P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 Tax relief granted to individuals since the 2000-2001 Budget Speech. Source: 2001-2002 Budget Speech, Personal Income Tax Reduction, Appendix 2.
2 Sources: 1998-1999, 1999-2000, 2000-2001 and 2001-2002 Budget Speeches, Additional Information on the Budgetary Measures.
3 Non-recurring impact of retroactive wage and pay equity payments of nearly $1.1 billion to Québec government employees and pay equity payments totalling $875 million to federal employees.
4 Elasticity measures the link between growth in revenue before various measures and growth in gross domestic product. An elasticity of 1.00 means that a 1% increase in gross domestic product will result in a 1% increase in own-source revenue.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, amounted to 20.1% in 1999-2000. Given the tax reductions announced in this Budget and in those of previous years, the ratio should decline over the forecast period, to 18.1% in 2002-2003.

GRAPH 3.4

CHANGE IN OWN-SOURCE REVENUE
(as a percentage of GDP)

F: Forecast.

Federal transfers

Federal transfers should grow by 16.0% in 2001-2002, reflecting essentially the planned withdrawal of $1 004 million from the Canada Health and Social Transfer (CHST) trust accounts.

Equalization revenue will fall in 2001-2002 despite the fact that the federal government will pay nearly $500 million as a retroactive adjustment stemming from its commitment to suspend for 1999-2000 the application of a ceiling in respect of the program. This ceiling would have limited equalization entitlements for 1999-2000 to $10 billion for provinces that receive equalization payments as a whole. However, the most recent federal calculations suggest that equalization entitlements will exceed this ceiling by approximately $800 million. Even though Québec receives only 49% of equalization payments, it would have suffered the equivalent of 62% of the cuts made following the application of the ceiling, which is equal to its share of the population of provinces that receive equalization payments. This amount will be repaid to it in 2001-2002.

In 2002-2003, federal transfers will grow by only 0.8%, reflecting a substantial decline in withdrawals from the CHST trust accounts.

In regard to consolidated organizations, transfer revenue will rise by over $100 million in 2001-2002, owing notably to the creation of the Financière agricole du Québec, which groups the activities of the Société de financement agricole and the Régie de l'assurance-agricole du Québec. Previously, revenue from federal transfers paid to the Régie was not included in the government's reporting entity.

TABLE 3.6

CHANGE IN FEDERAL TRANSFER REVENUE
(in millions of dollars)

	1998-1999	1999-2000	2000-2001[P]	2001-2002[P]	2002-2003[P]
Consolidated Revenue Fund	7 832	6 082	7 925	9 125	9 189
% change	38.1	– 22.3	30.3	15.1	0.7
Consolidated organizations	258	270	249	359	368
Total	**8 090**	**6 352**	**8 174**	**9 484**	**9 557**
% change	35.1	– 21.5	28.7	16.0	0.8

P: Preliminary results for 2000-2001 and forecasts for subsequent years.

CHST trust accounts

The federal government created three CHST trust accounts at the time of its last two budgets and in September 2000 in conjunction with the federal-provincial First Ministers' meeting. The amount allotted to Québec in the three trust accounts totals $1 675 million.

The financial plan of this Budget renews the withdrawals provided for in Québec's March 2000 Budget. It also provides for the withdrawal in 2001-2002 of the amounts relating to the trust account created last fall, i.e. $239 million.

All told, the Québec government will have withdrawn $420 million from the trust accounts in 2000-2001. Withdrawals of $1 004 million and $251 million respectively are planned for the next two years.

TABLE 3.7

WITHDRAWALS FROM THE CHST TRUST ACCOUNTS
(in millions of dollars)

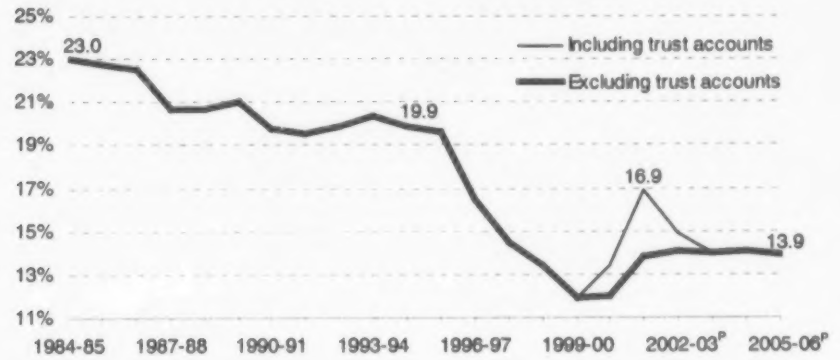
	2000-2001	2001-2002	2002-2003	2003-2004	Total
2000-2001 Budget	420	765	256	—	1 441
2001-2002 Budget					
❑ 1999-2000 allotment	420	420	—	—	840
❑ 2000-2001 allotment	—	345	251	—	596
Sub-total	**420**	**765**	**251**[1]	**—**	**1 436**[1]
❑ Federal announcement of September 2000	—	239	—	—	239
Total	**420**	**1 004**	**251**	**—**	**1 675**

1 When the Budget was tabled last year, Québec's allotment in the federal trust account created in 2000-2001 was estimated at $600 million. In comparison, the federal government set Québec's share at $596 million.

However, it should be noted that despite the trust accounts and the federal reinvestments in the CHST announced in September 2000, the federal contribution to Québec's health, education and income security programs will pursue the downward trend observed since the early 1980s. While federal funding accounted for 23% of Québec's spending for these programs in the mid 1980s, it will account for barely 13.9% in 2005-2006.

GRAPH 3.5

FEDERAL CHST TRANSFERS TO QUÉBEC[1]
(as a percentage of Québec's social spending[2])



P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 Including the value of the special Québec abatement.
2 Health, education and income security spending.

Government expenditure

The government's budgetary expenditure should total $51 136 million in 2001-2002. Operating expenditure will amount to $43 226 million, while debt service will total $7 910 million.

Operating expenditure includes the program spending of government departments and the expenditures of consolidated organizations. Similarly, debt service includes the debt service of the Consolidated Revenue Fund and that of consolidated organizations.

TABLE 3.8

CHANGE IN BUDGETARY EXPENDITURE
(in millions of dollars)

	1998-1999	1999-2000	2000-2001[P]	2001-2002[P]	2002-2003[P]
Operating expenditure					
❑ Program spending	– 38 014	– 38 704	– 40 691	– 41 929	– 43 223
% change	—	1.8	5.1	3.0	3.1
❑ Consolidated organizations	– 1 368	– 1 293	– 1 098	– 1 297	– 1 359
Total operating expenditure	**– 39 382**	**– 39 997**	**– 41 789**	**– 43 226**	**– 44 582**
% change	—	1.6	4.5	3.4	3.1
Debt service					
❑ Consclidated Revenue Fund	– 6 574	– 6 751	– 6 996	– 7 243	– 7 119
% change	—	2.7	3.6	3.5	– 1.7
❑ Consolidated organizations	– 613	– 621	– 668	– 667	– 673
Total debt service	**– 7 187**	**– 7 372**	**– 7 664**	**– 7 910**	**– 7 792**
% change	—	2.6	4.0	3.2	– 1.5
Budgetary expenditure	**– 46 569**	**– 47 369**	**– 49 453**	**– 51 136**	**– 52 374**
% change	—	1.7	4.4	3.4	2.4
Nominal GDP growth rate in %[1]	3.1	5.4	6.9	4.0	4.0
Inflation rate in Canada in %[1]	0.9	1.7	2.7	1.8	1.6

P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 For the calendar year ending three months before the end of the fiscal year.

Program spending

Program spending will grow by 3.0% in 2001-2002 and 3.1% in 2002-2003. This growth rate is less than that of nominal GDP, which is compatible with the government's objectives in terms of maintaining a balanced budget and reducing taxes.

The ratio of the government's program spending to GDP should continue to fall, to 18.5% in 2001-2002 and 18.3% in 2002-2003, the lowest level in at least 30 years.

GRAPH 3.6

PROGRAM SPENDING
(as a percentage of GDP)

P: Preliminary results for 2000-2001 and forecasts for subsequent years.
1 The increase in the program spending/GDP ratio in 1998-1999 is attributable to expenditures of $1 377 million to implement the financial restructuring and consolidation plan for health and social services network institutions and to improve the financial situation of universities.

Section 3 Appendix 3.1

Resources allocated to health and social services

The health and social services sector accounts for a large share of the government's program spending. Benefiting from nearly 40% of such spending, it is the most important expenditure sector in this regard. It should be noted that public spending on health in Québec accounted for 7.2% of GDP in 1998.

Major increase in resources allocated to health and social services in recent Budget Speeches

Since the achievement of a balanced budget in 1998-1999, the health and social services sector has reaped a large share of the benefits of the improvement in Québec's public finances. In the last two Budget Speeches, additional resources were allocated primarily to three main priorities:

— improving the financial situation of network institutions to ensure the accessibility and quality of health services offered to Quebecers;

— increasing and developing services, particularly to reduce waiting lists, provide more services to various network clienteles and finance increases in the cost of the prescription drug insurance program;

— acquiring specialized, high-technology medical equipment to make it possible to treat more patients and improve the quality of care.

Resources are increased again for health and social services

To further boost the quality and quantity of health and social services, the government is granting additional resources to this sector. It will devote $10 million in 2001-2002, $15 million in 2002-2003 and $20 million thereafter to improving services for young people and their families. In addition, government financial support for home care services provided by social economy enterprises is being extended and will amount to $32 million per year. Over and above these new initiatives are the higher costs relating to increases in wages and clienteles and the growth in the cost of the prescription drug insurance program.

In all, the budget allocated to the ministère de la Santé et des Services sociaux will reach $16 716 million in 2001-2002. Since 1997-1998, the budgets earmarked for health and social services will have risen by 29.4%, almost three times the growth rate of other program spending as a whole (11.4%).

TABLE 3.1.1

CHANGE IN HEALTH AND SOCIAL SERVICES EXPENDITURES
(in millions of dollars)

				2000-2001			Cumulative growth
	1997-1998	1998-1999	1999-2000	Appropriations	Preliminary results	2001-2002[F]	%
Expenditures	12 923	14 596	14 828	15 382[1]	15 993	16 716	29.4
Change		*1 673*	*232*	*554*	*1 165*	*1 334*[2]	

F: Forecast.
1 Appropriations adjusted to reflect the new program structure.
2 Increase compared with the envelope provided last March for 2000-2001.

Compared with the envelope provided last March for 2000-2001, which totalled $15 382 million, the appropriations allocated to the ministère de la Santé et des Services sociaux for 2001-2002 are increased by $1 334 million.

In addition, a sum of $30 million, financed out of Loto-Québec's revenue, will be used to develop a range of services adapted to the needs of older persons who are losing their autonomy.

These additional resources are supplemented by $600 million that are being placed in reserve this year and that may be used to finance projects for modernizing the health and social services network over the coming years.

Therefore, the health and social services sector will receive additional resources totalling $1 964 million.

TABLE 3.1.2

ADDITIONAL RESOURCES ALLOCATED TO THE HEALTH AND SOCIAL SERVICES SECTOR
(in millions of dollars)

Increase in the ministère de la Santé et des Services sociaux budget in 2001-2002 compared with the envelope provided last March for 2000-2001	
❑ Wage indexation, increase in clienteles and other expenditures	1 292
❑ Improvement of services for young people and their families	10
❑ Home care services provided by social economy enterprises	32
Sub-total	**1 334**
Development of services adapted to the needs of older persons who are losing their autonomy[1]	**30**
Reserve for modernizing the network	**600**
Additional resources	**1 964**

1 Initiative financed out of Loto-Québec revenue.

Section 3 Appendix 3.2

Resources allocated to education

The education sector accounts for a large share of the government's program spending. Benefiting from over a quarter of such spending, it is the second most important sector in this regard after health and social services.

Québec compares favourably with other jurisdictions in respect to education

Compared with other countries, Québec invests to a greater extent in education. It devotes 7% of its gross domestic product (GDP) to this sector, while OECD countries as a whole devote an average of 5.9% of GDP to education. The difference in investment levels is even more marked when Québec's post-secondary education sector is compared with that of other jurisdictions.

Québec's education system is also distinguished by its accessibility. In particular, tuition fees for Québec students are less than half those charged in the rest of Canada. In addition, student financial assistance is more generous in Québec, with the result that students' indebtedness level is much lower than in the other Canadian provinces. It should also be mentioned that Québec's enrolment rate, i.e. 78%, is the highest of all OECD countries, i.e. 63% on average.

The quality of teaching in Québec also compares favourably with that of other jurisdictions. The number of students per teacher at the elementary and secondary levels is lower in Québec than in the rest of Canada. Furthermore, Québec students do particularly well at school, especially in mathematics and science.

Substantial additional resources have been allocated to education in recent Budget Speeches

In recent years, a large share of the additional resources allocated by the government to maintain and improve the quality of public services have been earmarked for the education sector.

In the 1999-2000 Budget Speech, $596 million were allotted particularly to enhance the financial health of the education networks, initiate the education reform and make it possible to purchase dictionaries, grammar and other books.

At the time of the 2000-2001 Budget Speech, the government acted on the commitments made at the Sommet du Québec et de la jeunesse by granting education network institutions an additional $1 billion over three years. The funds needed to implement the special education policy (*Early Steps Toward Success*) were also allocated.

Additional resources for education

The funds needed to meet the commitments made during the Sommet du Québec et de la jeunesse are being provided in the financial framework of this Budget. The envelope of the ministère de l'Éducation has thus been increased by $100 million to improve funding for various educational institutions. In addition, the growth in costs relating to wage indexation and in other expenditures has also been included in the department's budget. Lastly, the funds needed to pursue the implementation of the *Early Steps Toward Success* program have been added to the department's envelope.

The government has also decided to improve its student financial assistance program by $31 million in 2001-2002 and $38 million annually thereafter. These changes are in response to the requests made during the Sommet du Québec et de la jeunesse and the World March of Women.

All told, the education budget will be raised to $10 635 million in 2001-2002. Over the past four years, education expenditures have increased cumulatively by over 12%.

TABLE 3.2.1

CHANGE IN EDUCATION EXPENDITURES SINCE 1997-1998
(in millions of dollars)

				2000-2001			Cumulative growth
	1997-1998	1998-1999	1999-2000	Appropria-tions	Preliminary results	2001-2002[F]	%
Expenditures	9 449	9 580	9 825	10 107	10 079	10 635	12.6
Change		*131*	*245*	*282*	*254*	*528*[1]	

F: Forecast
1 Increase compared with the envelope provided last March for 2000-2001.

Thus, compared with the envelope provided last March for 2000-2001, i.e. $10 107 million, the budget of the ministère de l'Éducation is increased by $528 million in 2001-2002.

This amount is supplemented by $200 million placed in reserve, which will make it possible to fund projects aimed at modernizing the education networks over the coming years.

In all, the government is allocating additional resources of $728 million to the education sector.

TABLE 3.2.2

ADDITIONAL RESOURCES ALLOCATED TO THE EDUCATION SECTOR
(in millions of dollars)

Increase in the ministère de l'Éducation budget in 2001-2002 compared with the envelope provided last March for 2000-2001	
❑ Improvement of funding for educational institutions in the wake of commitments made at the Sommet du Québec et de la jeunesse[1]	100
❑ Wage indexation and other expenditures	350
❑ *Early Steps Toward Success*	47
❑ Improvement of financial assistance for students	31
Sub-total	**528**
Reserve for modernizing the networks	**200**
Additional resources	**728**

1 In addition to the $200 million allocated in 2000-2001, bringing expenditures in respect of the commitments made at the Sommet du Québec et de la jeunesse to $300 million in 2001-2002.

Section 3 Appendix 3.3

Additional information on the budgetary revenue forecast for 2001-2002

The Québec government's revenue should total $51 136 million in 2001-2002. This revenue is derived from two sources: own-source revenue and federal transfer revenue.

Own-source revenue accounts for 81.5% of the government's revenue

In 2001-2002, the Québec government's own-source revenue should reach $41 652 million, or 81.5% of budgetary revenue. Own-source revenue consists of tax revenue, which essentially includes personal income tax, corporate taxes and consumption taxes. It also consists of non-tax revenue, such as various duties and permits (registration fees, forest royalties, hunting and fishing permits, etc.), miscellaneous revenue (interest, recoveries, sales of goods and services, fines, etc.) and the revenue of consolidated organizations. Lastly, it includes revenue from government enterprises, such as Hydro-Québec, Loto-Québec and the Société des alcools du Québec.

TABLE 3.3.1

BUDGETARY REVENUE IN 2001-2002[F]

	In millions of dollars	In %
Own-source revenue	41 652	81.5
Federal transfers	9 484	18.5
Total	**51 136**	**100.0**

F: Forecast.

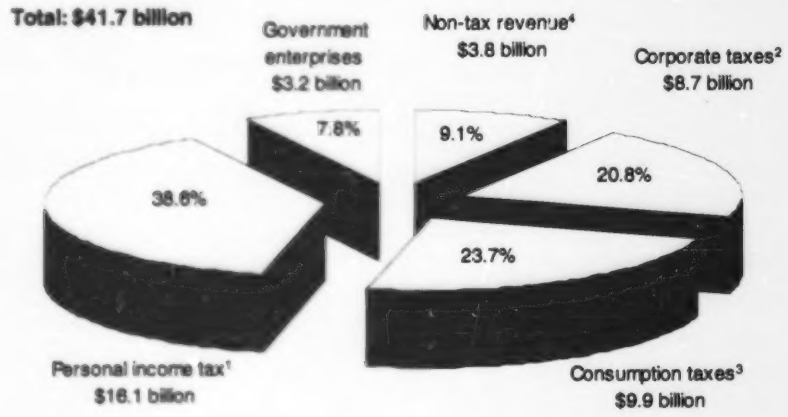
Tax revenue makes up the bulk of own-source revenue

In 2001-2002, personal income tax will be the largest source of own-source revenue (38.6%), followed by consumption taxes (23.7%) and corporate taxes (20.8%). These three sources, which make up tax revenue, account for 83.1% of all own-source revenue.

The balance of own-source revenue consists of revenue from government enterprises (7.8%) and non-tax revenue (9.1%), which includes fees for government services and the revenue of consolidated organizations.

GRAPH 3.3.1

DISTRIBUTION OF OWN-SOURCE REVENUE BY SOURCE IN 2001-2002[F]



F: Forecast.
1 Including individuals' contributions to the Health Services Fund.
2 Including corporate contributions to the Health Services Fund.
3 Including duties on alcoholic beverages.
4 Including revenue of consolidated organizations.

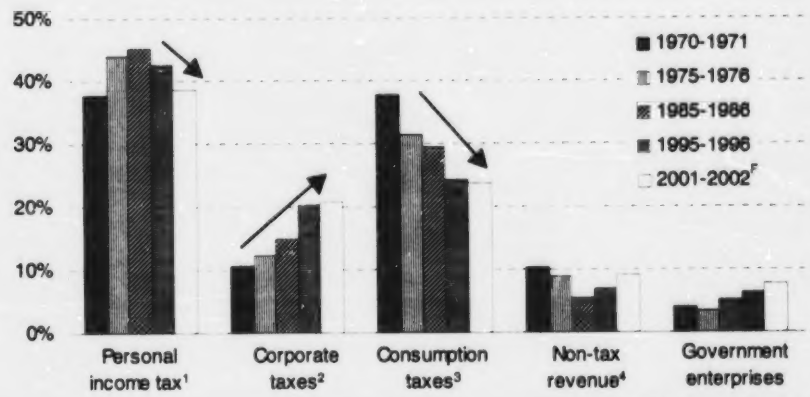
Major changes to the structure of revenue

The composition of own-source revenue has changed considerably over the years. Personal income tax as a proportion of overall revenue has declined over the past two decades, while the share of corporate taxes has grown appreciably, doubling since 1970-1971. The share of consumption taxes has fallen sharply, from 37.6 % in 1970-1971 to 23.7% in 2001-2002.

The importance of revenue from government enterprises and non-tax revenue has grown in recent years, in particular because of the improved profitability of government corporations and cost-effective fees for government services. Furthermore, the addition of consolidated organizations to the government's reporting entity since 1997-1998 has helped to significantly increase the share of these revenue sources in total own-source revenue.

GRAPH 3.3.2

CHANGE IN OWN-SOURCE REVENUE BY SOURCE
(as a percentage of the total)



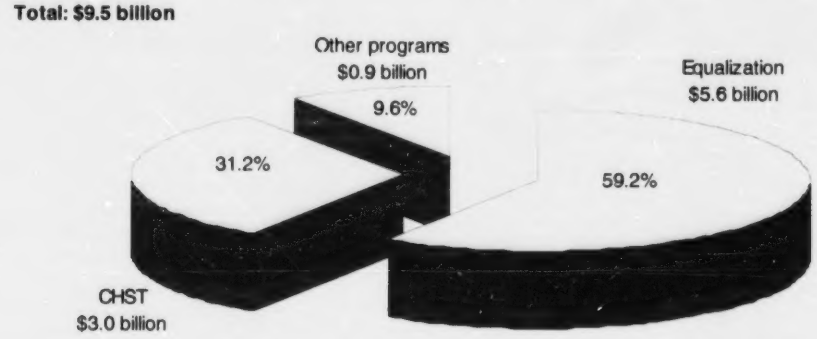
F: Forecast.
1 Including individuals' contributions to the Health Services Fund.
2 Including corporate contributions to the Health Services Fund.
3 Including duties on alcoholic beverages.
4 Including revenue of consolidated organizations.

Equalization accounts for almost two-thirds of federal transfers

The Québec government's revenue also includes federal transfers. In 2001-2002, these transfers will reach $9 484 million, or 18.5% of budgetary revenue. Federal transfers include equalization, the Canada Health and Social Transfer (CHST) and revenue from a number of cost-sharing agreements between Québec and the federal government.

GRAPH 3.3.3

DISTRIBUTION OF FEDERAL TRANSFERS BY SOURCE IN 2001-2002[F]



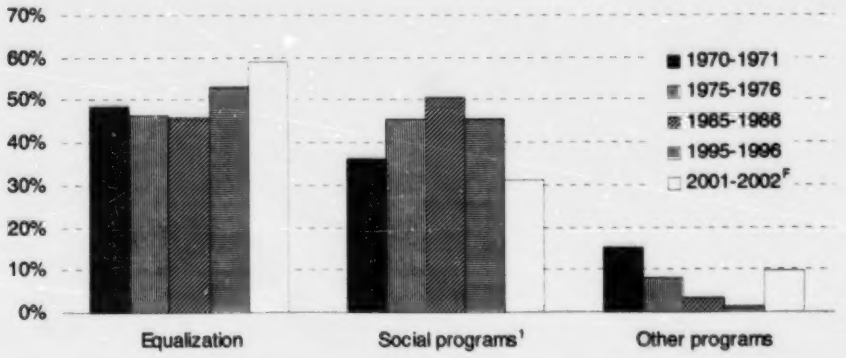
F: Forecast.

Share of federal transfers for health, education and income security down sharply

As the following graph shows, the share of federal cash transfers for health, education and income security services has fallen sharply since the early 1980s. This decline has accelerated recently with the implementation of the CHST in 1996-1997, which was accompanied by a substantial drop in the federal contribution to social programs funding.

GRAPH 3.3.4

CHANGE IN FEDERAL TRANFERS BY SOURCE
(as a percentage of the total)



F: Forecast.
1 Cash transfers only (excluding the special Québec abatement).

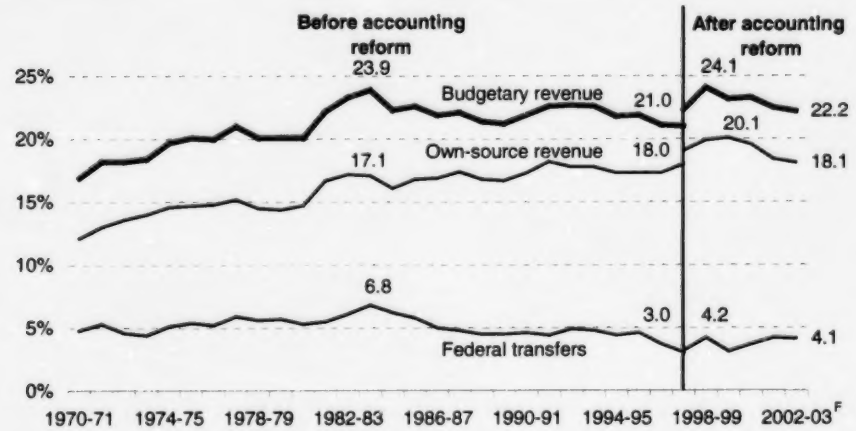
Owing to income tax reductions, the budgetary revenue/GDP ratio will decrease

Since the early 1980s, budgetary revenue has accounted for a relatively steady proportion of GDP, although this ratio has risen since 1997-1998 with the inclusion of certain organizations within the government's reporting entity.

However, on account of the income tax reductions announced in this Budget and in those of previous years, this ratio should fall from 24.1% in 1998-1999 to 22.2% in 2002-2003.

GRAPH 3.3.5

CHANGE IN BUDGETARY REVENUE
(as a percentage of GDP)



F: Forecast.

Section 3 Appendix 3.4

Additional information on the government's financial position

TABLE 3.4.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	Budgetary transactions							
	Own-source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure	Reserve	Surplus (deficit) after reserve
Before reform of government accounting								
1970-1971	2 747	1 095	3 842	– 3 790	– 197	– 3 987		– 145
1971-1972	3 183	1 294	4 477	– 4 622	– 210	– 4 832		– 355
1972-1973	3 743	1 262	5 005	– 5 110	– 242	– 5 352		– 347
1973-1974	4 368	1 377	5 745	– 6 116	– 288	– 6 404		– 659
1974-1975	5 364	1 872	7 236	– 7 382	– 296	– 7 678		– 442
1975-1976	6 105	2 224	8 329	– 8 912	– 368	– 9 280		– 951
1976-1977	7 126	2 523	9 649	– 10 369	– 456	– 10 825		– 1 176
1977-1978	8 006	3 090	11 096	– 11 194	– 606	– 11 800		– 704
1978-1979	8 527	3 271	11 798	– 12 479	– 817	– 13 296		– 1 498
1979-1980	9 464	3 757	13 221	– 14 651	– 970	– 15 621		– 2 400
1980-1981	10 763	3 899	14 662	– 16 761	– 1 382	– 18 143		– 3 481
1981-1982	13 460	4 479	17 939	– 18 610	– 1 950	– 20 560		– 2 621
1982-1983	14 725	5 178	19 903	– 20 066	– 2 300	– 22 366		– 2 463
1983-1984	15 738	6 235	21 973	– 21 626	– 2 511	– 24 137		– 2 164
1984-1985	16 182	6 247	22 429	– 23 290	– 3 012	– 26 302		– 3 873
1985-1986	18 102	6 190	24 292	– 24 411	– 3 354	– 27 765		– 3 473
1986-1987	19 885	5 839	25 724	– 25 140	– 3 556	– 28 696		– 2 972
1987-1988	22 334	6 131	28 465	– 27 186	– 3 675	– 30 861		– 2 396
1988-1989	23 737	6 403	30 140	– 28 042	– 3 802	– 31 844		– 1 704
1989-1990	24 812	6 693	31 505	– 29 254	– 4 015	– 33 269		– 1 764
1990-1991	26 592	6 992	33 584	– 32 122	– 4 437	– 36 559		– 2 975
1991-1992	28 287	6 766	35 053	– 34 688	– 4 666	– 39 354		– 4 301
1992-1993	28 198	7 782	35 980	– 36 254	– 4 756	– 41 010		– 5 030
1993-1994	28 855	7 780	36 635	– 36 242	– 5 316	– 41 558		– 4 923
1994-1995	29 499	7 510	37 009	– 36 949	– 5 881	– 42 830		– 5 821
1995-1996	30 692	8 142	38 834	– 36 747	– 6 034	– 42 781		– 3 947
1996-1997	31 221	6 719	37 940	– 35 297	– 5 855	– 41 152		– 3 212
After reform of government accounting								
1997-1998	35 842	5 989	41 831	– 36 645	– 7 343	– 43 988		– 2 157
1998-1999	38 605	8 090	46 695	– 39 382	–7 187	– 46 569		126
1999-2000	41 047	6 352	47 399	– 39 997	– 7 372	– 47 369		30
2000-2001[P]	42 729	8 174	50 903	– 41 789	– 7 664	– 49 453	– 950	500

P: Preliminary results.
1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					
Investments, loans and advances	Capital expenditures	Retirement plans	Other accounts	Excess amount (shortfall)	Net financial surplus (requirements)
– 73		2	26	– 45	– 190
– 63		1	113	51	– 304
– 53		– 1	18	– 36	– 383
– 122		25	459	362	– 297
– 146		104	319	277	– 165
– 186		109	622	545	– 406
– 183		187	– 161	– 157	– 1 333
– 229		265	– 488	– 452	– 1 156
– 189		316	119	246	– 1 252
– 188		683	551	1 046	– 1 354
– 56		822	416	1 182	– 2 299
– 586		1 007	71	492	– 2 129
– 761		1 051	– 40	250	– 2 213
– 672		1 057	– 436	– 51	– 2 215
– 167		1 183	887	1 903	– 1 970
40		1 269	493	1 802	– 1 671
– 380		1 355	260	1 235	– 1 737
– 680		2 203	– 493	1 030	– 1 366
– 670		1 634	– 265	699	– 1 005
– 516		1 164	300	948	– 816
– 458		1 874	77	1 493	– 1 482
– 411		1 916	141	1 646	– 2 655
– 490		1 525	82	1 117	– 3 913
– 623		1 668	52	1 097	– 3 826
– 1 142		1 509	578	945	– 4 876
– 287		1 701	– 415	999	– 2 948
– 792		1 928	– 60	1 076	– 2 136
– 1 315	– 209	1 888	109	473	– 1 684
– 1 402	– 217	1 020	996	397	523
– 2 022	– 359	1 740	1 328	687	717
– 1 638	– 386	1 749	– 657	– 932	– 432

TABLE 3.4.2

GOUVERNEMENT DU QUÉBEC
TOTAL DEBT AT THE END OF THE FISCAL YEAR

	Total debt					
	Direct debt[1]		Net retirement plans liability[2]		Total	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
Before reform of government accounting						
1970-1971	2 478	10.9			2 478	10.9
1971-1972	2 920	11.9			2 920	11.9
1972-1973	3 309	12.0			3 309	12.0
1973-1974	3 679	11.8			3 679	11.8
1974-1975	4 030	11.0	67	0.2	4 097	11.1
1975-1976	4 955	12.0	179	0.4	5 134	12.4
1976-1977	6 035	12.5	354	0.7	6 389	13.2
1977-1978	7 111	13.5	620	1.2	7 731	14.6
1978-1979	8 325	14.2	915	1.6	9 240	15.7
1979-1980	9 472	14.4	1 598	2.4	11 070	16.9
1980-1981	12 247	16.8	2 420	3.3	14 667	20.1
1981-1982	14 184	17.6	3 428	4.2	17 612	21.8
1982-1983	16 485	19.3	4 489	5.3	20 974	24.5
1983-1984	18 880	20.5	5 545	6.0	24 425	26.5
1984-1985	21 216	21.1	6 729	6.7	27 945	27.8
1985-1986	23 633	22.0	7 998	7.4	31 631	29.4
1986-1987	25 606	21.8	9 353	8.0	34 959	29.8
1987-1988	26 819	20.8	10 883	8.5	37 702	29.3
1988-1989	27 091	19.2	12 597	8.9	39 688	28.2
1989-1990	27 699	18.7	14 320	9.6	42 019	28.3
1990-1991	29 637	19.3	16 227	10.6	45 864	29.9
1991-1992	33 106	21.3	18 143	11.7	51 249	33.0
1992-1993	39 231	24.8	19 668	12.4	58 899	37.2
1993-1994	45 160	27.9	20 483	12.6	65 643	40.5
1994-1995	52 468	30.8	21 997	12.9	74 465	43.8
1995-1996	52 886	29.9	23 624	13.3	76 510	43.2
1996-1997	52 625	29.2	25 461	14.1	78 086	43.3
After reform of government accounting						
1997-1998	57 294	30.5	40 438	21.5	97 732	52.0
1998-1999	59 144[3]	30.5	40 428	20.9	99 572[3]	51.4
1999-2000	61 209[3]	30.0	39 337	19.3	100 546[3]	49.3
2000-2001[P]	63 708[3]	29.2	39 072	17.9	102 780[3]	47.1

P: Preliminary results.
1 Including Treasury bills, Treasury notes and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent, based on the exchange rates effective on March 31 of the fiscal year under consideration.
2 Balance of the retirement plans liability less amount accumulated in the retirement plans sinking fund.
3 Excluding pre-financing of $2 831 million in 1998-1999, $506 million in 1999-2000 and $1 477 million in 2000-2001. Including pre-financing, the total debt reaches $102 403 million in 1998-1999, $101 052 million in 1999-2000 and $104 257 million in 2000-2001.

Financial assets and other liabilities		Net debt		Debt representing			
				Capital expenditures		Accumulated deficits[5]	
In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
188	0.8	2 290	10.1			2 290	10.1
275	1.1	2 645	10.8			2 645	10.8
317	1.2	2 992	10.9			2 992	10.9
28	0.1	3 651	11.7			3 651	11.7
4	0.0	4 093	11.1			4 093	11.1
90	0.2	5 044	12.2			5 044	12.2
36	0.1	6 353	13.2			6 353	13.2
673	1.3	7 058	13.4			7 058	13.4
780	1.3	8 460	14.4			8 460	14.4
234	0.4	10 836	16.5			10 836	16.5
341	0.5	14 326	19.6			14 326	19.6
5 043	6.2	12 569	15.6			12 569	15.6
5 936	6.9	15 038	17.6			15 038	17.6
7 127	7.7	17 298	18.8			17 298	18.8
6 490	6.5	21 455	21.3			21 455	21.3
5 896	5.5	25 735	23.9			25 735	23.9
6 243	5.3	28 716	24.5			28 716	24.5
6 587	5.1	31 115	24.2			31 115	24.2
6 869	4.9	32 819	23.3			32 819	23.3
7 436	5.0	34 583	23.3			34 583	23.3
8 306	5.4	37 558	24.5			37 558	24.5
9 364	6.0	41 885	27.0			41 885	27.0
11 985	7.6	46 914	29.6			46 914	29.6
13 806	8.5	51 837	32.0			51 837	32.0
16 788	9.9	57 677	33.9			57 677	33.9
14 886	8.4	61 624	34.8			61 624	34.8
13 253	7.4	64 833	36.0			64 833	36.0
9 233	4.9	88 499	47.1	6 016	3.2	82 483	43.9
13 820[4]	7.1	88 583	45.7	6 233	3.2	82 350	42.5
12 166[4]	6.0	88 886	43.6	6 693	3.3	82 193	40.3
15 485[4]	7.1	88 772	40.7	7 079	3.2	81 693[6]	37.4

4 Taking into account pre-financing of $2 831 million in 1998-1999, $506 million in 1999-2000 and $1 477 million in 2000-2001.
5 Including various accounting adjustments that have not been the object of a surplus (deficit) adjustment for previous years.
6 Including $950 million placed in reserve for health and social services, education, social solidarity and research.

TABLE 3.4.3

GOUVERNEMENT DU QUÉBEC
DEBT SERVICE

	Direct debt service		Interest on the net retirement plans liability[1]		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
Before reform of government accounting						
1970-1971	197	5.1			197	5.1
1971-1972	210	4.7			210	4.7
1972-1973	242	4.8			242	4.8
1973-1974	288	5.0			288	5.0
1974-1975	296	4.1			296	4.1
1975-1976	368	4.4			368	4.4
1976-1977	456	4.7			456	4.7
1977-1978	606	5.5			606	5.5
1978-1979	763	6.5	54	0.5	817	6.9
1979-1980	882	6.7	88	0.7	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.7	379	1.9	2 300	11.6
1983-1984	2 031	9.2	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.7	3 012	13.4
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.8	1 137	3.8	3 802	12.6
1989-1990	2 829	9.0	1 186	3.8	4 015	12.7
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.7	1 281	3.6	4 756	13.2
1993-1994	3 750	10.2	1 566	4.3	5 316	14.5
1994-1995	4 332	11.7	1 549	4.2	5 881	15.9
1995-1996	4 287	11.0	1 747	4.5	6 034	15.5
1996-1997	3 906	10.3	1 949	5.1	5 855	15.4
After reform of government accounting						
1997-1998	4 378	10.5	2 965	7.1	7 343	17.6
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000	4 740	10.0	2 632	5.6	7 372	15.6
2000-2001[P]	5 102	10.0	2 562	5.0	7 664	15.1

P: Preliminary results.
1 Amount of interest ascribed to the retirement plans liability less income from the retirement plans sinking fund.

Section 4

Reserve for health and social services, education, social solidarity and research

Introduction 3

Creation of a reserve comprising four components 3

Maintaining government control and full transparency regarding the use of funds placed in reserve 4

Introduction

In recent years, Québec has devoted considerable effort to eliminating the deficit. This objective was enshrined in *the Act respecting the elimination of the deficit and a balanced budget* unanimously adopted by the National Assembly in December 1996.

Over the past three years, not only has a balanced budget been achieved, but very substantial excess amounts have even been posted at the end of each fiscal year.

However, when an excess amount is posted at the end of a fiscal year, it is often too late for the government to allocate, according to its priorities, all or part of this excess amount to financing initiatives for meeting the population's needs more effectively. In the current context, any surplus achieved at the end of the fiscal year must be used to reduce the debt, unless the management of this surplus is entrusted to third parties and an expenditure is recorded in this regard.

Rigorous and more effective management of surpluses

Therefore, the government is announcing today the creation of a reserve which, in the coming years, will allow it to provide for the funding of new initiatives out of the excess amounts posted at the end of the fiscal year. Draft legislation will be tabled shortly in this regard.

Creation of a reserve comprising four components

The reserve will be used notably for modernizing the health and social services and education networks and for implementing new social solidarity and research initiatives.

This year $950 million, taken from the excess amounts posted, will be placed in reserve: $600 million for the health and social services sector, $200 million for the education sector, $100 million for social solidarity and $50 million for research.

TABLE 4.1

ALLOCATION OF EXCESS AMOUNTS FOR 2000-2001 TO THE RESERVE FOR HEALTH AND SOCIAL SERVICES, EDUCATION, SOCIAL SOLIDARITY AND RESEARCH
(in millions of dollars)

Component	
Health and social services	600
Education	200
Social solidarity	100
Research	50
Total	**950**

Given that the reserve is permanent, the government will henceforth be able to decide, in preparing the Budget Speech, to allocate additional amounts to it. It will then specify the purposes for which these funds will be earmarked.

Maintaining government control and full transparency regarding the use of funds placed in reserve

The amounts paid into the reserve will remain under full government control.

Transparency with regard to the allocation and use of surpluses placed in reserve

Projects funded from the reserve will be selected jointly by the Minister of Finance, the Chairman of the Conseil du trésor and the ministers responsible for the sectors concerned by each of the four components. Projects chosen by the selection committees will have to obtain the authorizations generally required from the Conseil du trésor and, where applicable, from Cabinet.

Eligible projects will be non-recurring and will complement existing government programs.

Each year, the government will account for the use of funds taken from the reserve.

The funds allocated to the reserve will be deposited with the Caisse de dépôt et placement du Québec. The draft legislation respecting the reserve will include a provision allowing the Caisse de dépôt et placement du Québec to receive from the government amounts placed in reserve. The funds thus deposited will be managed according to the investment policies determined by the Minister of Finance. The revenue generated by these investments will be allocated to the reserve and will thus increase the resources that may be allotted to finance selected projects.

Concordance adjustments to the *Act respecting the elimination of the deficit and a balanced budget* will be introduced so that the concept of balanced budget used for the purposes of the Act takes into account the funds allocated to the reserve and the amounts that may be taken from it.